



# **Management's Discussion and Analysis Q3-17**

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# Management's Discussion and Analysis - Q3-17

(In thousands of Canadian dollars, unless otherwise noted)

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Artis Real Estate Investment Trust should be read in conjunction with the REIT's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2017 and 2016, the audited annual consolidated financial statements for the years ended December 31, 2016 and 2015, and the notes thereto. Except where otherwise noted, "Artis", the "REIT", "we", "us" and "our" refers to Artis Real Estate Investment Trust and its consolidated operations. This MD&A has been prepared taking into account material transactions and events up to and including November 6, 2017. Additional information about Artis, including the REIT's most recent Annual Information Form, has been filed with applicable Canadian securities regulatory authorities and is available at [www.sedar.com](http://www.sedar.com) or on our website at [www.artisreit.com](http://www.artisreit.com).

The REIT has properties held in its investments in joint ventures, which are accounted for using the equity method. This MD&A is prepared including Artis' ownership of all its properties on a proportionate share basis ("Proportionate Share"). Management is of the view that presentation on a proportionate share basis is representative of Artis' performance, financial position and other operating metrics. Artis provides a reconciliation to its consolidated financial statements in the Analysis of Operating Results and Analysis of Financial Position sections of this MD&A. All figures presented are on a proportionate share basis except where otherwise noted. Refer to the Proportionate Share commentary under the Notice with Respect to Non-GAAP Measures below.

## FORWARD-LOOKING DISCLAIMER

This MD&A contains forward-looking statements. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Particularly, statements regarding the REIT's future operating results, performance and achievements are forward-looking statements. Without limiting the foregoing, the words "expects", "anticipates", "intends", "estimates", "projects" and similar expressions are intended to identify forward-looking statements.

Artis is subject to significant risks and uncertainties which may cause the actual results, performance or achievements of the REIT to be materially different from any future results, performance or achievements expressed or implied in these forward-looking statements. Such risk factors include, but are not limited to, risks associated with real property ownership, availability of cash flow, general uninsured losses, future property acquisitions and dispositions, environmental matters, tax related matters, debt financing, unitholder liability, potential conflicts of interest, potential dilution, reliance on key personnel, changes in legislation and changes in the tax treatment of trusts. Artis cannot assure investors that actual results will be consistent with any forward-looking statements and Artis assumes no obligation to update or revise such forward-looking statements to reflect actual events or new circumstances. All forward-looking statements contained in this MD&A are qualified by this cautionary statement.

## NOTICE WITH RESPECT TO NON-GAAP MEASURES

The following measures are non-GAAP measures commonly used by Canadian real estate investment trusts as an indicator of financial performance. "GAAP" means the generally accepted accounting principles described by the CPA Canada Handbook - Accounting, which are applicable as at the date on which any calculation using GAAP is to be made. As a publicly accountable enterprise, Artis applies the International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These non-GAAP measures are not defined under IFRS and are not intended to represent operating profits for the period, or from a property, nor should any of these measures be viewed as an alternative to net income, cash flow from operations or other measures of financial performance calculated in accordance with IFRS. Readers should be further cautioned that the following measures as calculated by Artis may not be comparable to similar measures presented by other issuers.

### Property Net Operating Income ("Property NOI")

Artis calculates Property NOI as revenues less property operating expenses such as utilities, repairs and maintenance and realty taxes. Property NOI does not include charges for interest or other expenses not specific to the day-to-day operation of the REIT's properties. Management considers Property NOI to be a valuable measure for evaluating the operating performance of the REIT's properties. Refer to the Revenue and Property NOI section of this MD&A for further discussion and calculation of this measure.

### Same Property NOI

Artis calculates Same Property NOI by including Property NOI for investment properties that were owned for a full quarterly reporting period in both the current and comparative year, and excludes properties held for (re)development. Adjustments are made to this measure to exclude non-cash revenue items and other non-recurring revenue amounts such as lease termination income. Management considers Same Property NOI to be a valuable measure for evaluating the operating performance of the REIT's properties. Refer to the Same Property NOI Analysis section of this MD&A for further discussion and calculation of this measure.

**Funds from Operations ("FFO")**

Artis calculates FFO substantially in accordance with the guidelines set out by the Real Property Association of Canada ("REALpac"), as issued in February 2017. These guidelines include certain adjustments to FFO under IFRS from the previous definition of FFO, as issued in April 2014. These adjustments did not materially impact the REIT's calculation of FFO and have been applied consistently to all comparative periods included in this MD&A. Management considers FFO to be a valuable measure for evaluating the REIT's operating performance in achieving its objectives. Refer to the FFO and AFFO section of this MD&A for further discussion and calculation of this measure.

**Adjusted Funds from Operations ("AFFO")**

Artis calculates AFFO substantially in accordance with new guidelines set out by REALpac, as issued in February 2017. Q1-17 was the first quarter the REIT presented AFFO in accordance with these guidelines. AFFO has been revised to comply with these guidelines for the comparative periods in 2016. The REIT did not revise its AFFO amounts for 2015 as disclosed in the Summarized Quarterly Information of this MD&A. Management considers AFFO to be a valuable measure for evaluating the REIT's operating performance in achieving its objectives. Refer to the FFO and AFFO section of this MD&A for further discussion and calculation of this measure.

**Proportionate Share**

Artis accounts for its joint ventures using the equity method in its consolidated financial statements in accordance with IFRS. Amounts presented on a Proportionate Share basis include Artis' interest in properties held in its joint ventures based on its percentage of ownership in these properties in addition to the amounts per its consolidated financial statements. Management considers Proportionate Share to be representative of how Artis manages its properties. Refer to the Analysis of Operating Results and Analysis of Financial Position sections of this MD&A for calculation of this measure.

**Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") Interest Coverage Ratio**

Artis calculates EBITDA as Property NOI, adjusted for interest income, corporate expenses and all non-cash revenue and expense items. Management considers this ratio to be a valuable measure of Artis' ability to service the interest requirements on its outstanding debt. Refer to the Interest Expense section of this MD&A for further discussion and calculation of this measure.

**Debt to Gross Book Value ("GBV")**

Artis calculates GBV based on the total consolidated assets of the REIT, adding back the amount of accumulated depreciation of property and equipment. The REIT has adopted debt to GBV as an indebtedness ratio guideline used to measure its leverage. Refer to the Liabilities section of this MD&A for further discussion and calculation of this measure.

**Debt to EBITDA Ratio**

Artis calculates debt to EBITDA based on annualizing the current quarter's EBITDA as defined above and comparing that balance to Artis' total outstanding debt. Management considers this ratio to be a valuable measure of Artis' leverage. Refer to the Liabilities section of this MD&A for further discussion and calculation of this measure.

**Net Asset Value ("NAV") per Unit**

Artis calculates NAV per unit as its unitholders' equity, adjusted for the outstanding face value in Canadian dollars of its preferred units, divided by its total number of dilutive units outstanding. Management considers this metric to be a valuable measure of the REIT's residual equity available to its common unitholders. Refer to the Unitholders' Equity section of this MD&A for further discussion and calculation of this measure.

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## OVERVIEW

Artis is one of the largest diversified commercial real estate investment trusts in Canada and is an unincorporated closed-end real estate investment trust, created under, and governed by, the laws of the Province of Manitoba. The REIT was created pursuant to the Declaration of Trust dated November 8, 2004, as most recently amended and restated on July 20, 2016 (the "Declaration of Trust").

Certain of the REIT's securities are listed on the Toronto Stock Exchange ("TSX"). The REIT's trust units ("units") trade under the symbol AX.UN and the REIT's preferred units trade under the symbols AX.PR.A, AX.PR.U, AX.PR.E and AX.PR.G. As at November 6, 2017, there were 150,593,232 units, 13,650,000 preferred units, 368,397 restricted units and 80,602 deferred units of Artis outstanding (refer to the Outstanding Unit Data section of this MD&A for further details).

## PRIMARY OBJECTIVE

Artis' primary objective is to provide a stable, reliable and tax-efficient monthly cash distribution as well as long-term appreciation in the value of Artis' units through the accumulation and effective management of a quality portfolio of commercial real estate.

Since its inception, Artis has provided a steady stream of monthly cash distributions to its unitholders. The amount distributed annually is currently \$1.08 per unit and is set by the Board of Trustees ("Trustees") in accordance with the Declaration of Trust.

Artis' management utilizes several key strategies to meet its primary objective, which are executed with consideration given to current economic and market factors:

- **Strategic Asset Ownership.** Artis' portfolio of office, retail and industrial real estate is strategically and diversely located in select primary and secondary markets in Canada and the United States ("U.S."). Artis' management conducts on-going analysis of the performance of its assets and the relevant economic fundamentals of its target markets, identifying opportunities to make accretive acquisitions, develop new generation real estate and dispose of assets that are not aligned with its long-term strategy.
- **Disciplined Growth.** Artis' management strives to extract maximum value from its portfolio through effective management of assets, including leasing initiatives that focus on maintaining strong occupancy levels and realizing the gain between in-place rental rates and market rental rates. Artis' management creates value through strategic asset redevelopment and property intensification initiatives, and through new development projects. New developments provide Artis an opportunity to build and own new generation real estate, and are considered in circumstances where the return on a development project is higher than that of acquiring an existing property.
- **Prudent Financial Management.** Artis has a long-term conservative approach to financial management, characterized by diligent management of its balance sheet, and prudent management of financial metrics, such as debt ratios, interest coverage ratios, payout ratios, and per unit metrics. Artis minimizes its risk related to interest rates by utilizing various sources of capital and staggering debt maturities. Ample access to cash is required to fulfill distribution obligations and for on-going operations, which includes re-investing in the portfolio, making accretive acquisitions and funding development projects.

## BOARD RENEWAL AND CORPORATE GOVERNANCE

At the meeting of the Board of Trustees on November 6, 2017, the Trustees discussed the vision and long-term strategic direction of Artis and the important oversight role that the board plays. The Trustees discussed the composition and skills matrix of the current Board of Trustees, as well as the length of time that the current Trustees have served on the board. The Trustees resolved to establish a board renewal plan with the following key objectives:

- the promotion of gender diversity on the Board of Trustees; and
- the gradual replacement of long-serving Trustees with qualified candidates who will add to the skills matrix of the Board of Trustees.

In addition to the above objectives, the Trustees will consider implementing additional corporate governance and compensation changes to better align with industry best practices at the next annual general meeting.

Artis has retained Kingsdale Advisors to assist in this initiative.

## THIRD QUARTER OVERVIEW

### Third Quarter Disposition Summary

During the third quarter of 2017, we completed the sale of six assets, including one retail property, two industrial properties and three Calgary office properties. These assets, totaling approximately 550,000 square feet of gross leasable area, were sold for an aggregate price of \$150,900. Subsequent to the end of the quarter, we sold an office property in Nanaimo, British Columbia for \$7,950, and entered into unconditional agreements to sell an office property in Red Deer, Alberta for \$33,000, and a portfolio of seven industrial properties in the Twin Cities Area, Minnesota for US\$70,600. The net IFRS gain on these transactions in mixed dollars will be \$5,398.

### Alberta Investment and Diversification Strategy

In accordance with our objective to further diversify our portfolio and reduce our Alberta Property NOI weighting, five of the properties sold during Q3-17 were located in Alberta (four in Calgary and one in Edmonton). From Q3-14 to Q3-17, our Alberta Property NOI weighting has decreased from 38.6% to 25.0% and our Calgary office Property NOI weighting has decreased from 19.3% to 10.7%. During this time frame, we have sold 24 assets in Alberta, including six office properties, seven retail properties and 11 industrial properties. Of these 24 assets sold, 10 were located in Calgary. These Alberta assets, totaling approximately 2.5 million square feet of gross leasable area, were sold for an aggregate price of \$500,439 and a weighted-average stabilized capitalization rate of 6.00%. The net IFRS gain on these properties was \$8,818. After eliminating the NOI for properties sold during Q3-17, our adjusted Property NOI weighting for Alberta would be 23.0% and our adjusted Property NOI weighting for Calgary office would be 8.5%. We will continue to execute this strategy in a patient and disciplined manner, and intend to use the funds generated from asset sales to pay down debt, improve our balance sheet, and to acquire and develop Class A real estate in our other target markets.

### Retail Portfolio Strategy

As a result of our ongoing strategic review and analysis of our assets, the economic fundamentals of our target markets and relevant overall market trends, we have sold numerous retail assets in secondary markets during the past three years. These properties, which were sold at attractive capitalization rates, were in cities such as Moose Jaw, Edson, Grande Prairie, Medicine Hat, Lethbridge, Cranbrook and Kelowna. While retail real estate remains part of our portfolio diversification strategy, we will continue to pursue opportunities to dispose of non-core retail assets. Our core retail properties are those focused on the consumer's everyday shopping needs, including food and beverage, and personal service providers. Our goal with this initiative is to reduce our retail Property NOI weighting over time from 20%, as reported for Q3-17, to approximately 15%.

### Update on Previously Disclosed Properties to be Listed for Sale

In Q1-17, we identified numerous assets, including seven industrial properties in the Twin Cities Area, Minnesota, that are no longer aligned with our long-term strategy. There was considerable interest in this industrial portfolio and, as noted in the Third Quarter Disposition Summary above, we have now entered into an unconditional sale agreement, with the transaction expected to close in 2017. Funds generated from this sale will be recycled into newer generation real estate in our target markets.

Also in Q1-17, we announced our intention to dispose of our Minnesota retail assets, as well as the Humana Building in the Greater Phoenix Area, Arizona. These properties have been listed for sale and we anticipate that the disposition of these assets will occur in 2017 or 2018.

### Financial Update

During the quarter, we drew on the REIT's two new non-revolving credit facilities in the aggregate amount of \$300,000. These unsecured facilities provide increased flexibility in the REIT's capital structure at a low interest rate.

The proceeds from dispositions and the non-revolving credit facilities were used for repayment of maturing mortgages and repayments on our revolving credit facilities during the quarter. As a result, at September 30, 2017, total debt to GBV decreased to 49.6%, from 50.4% at June 30, 2017, and secured mortgages and loans to GBV decreased to 33.3% from 38.9%, respectively. Additionally, our total debt to EBITDA ratio decreased to 8.2 at September 30, 2017, from 8.5 at June 30, 2017.

Also as a result of the repayment of maturing mortgages, our unencumbered assets increased from \$1,101,024 at June 30, 2017 to \$1,609,404 at September 30, 2017.

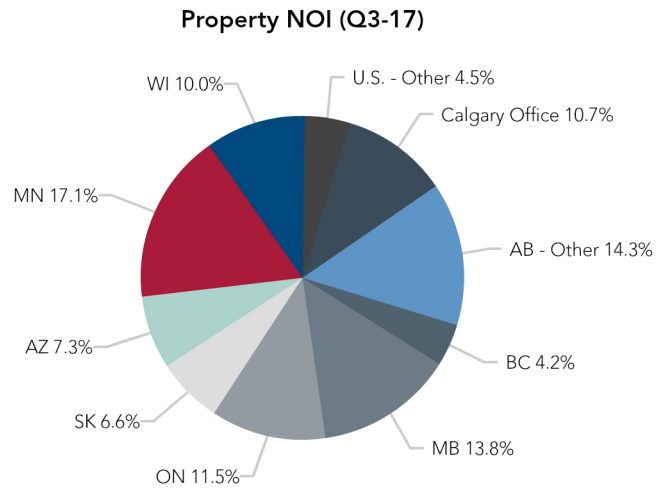
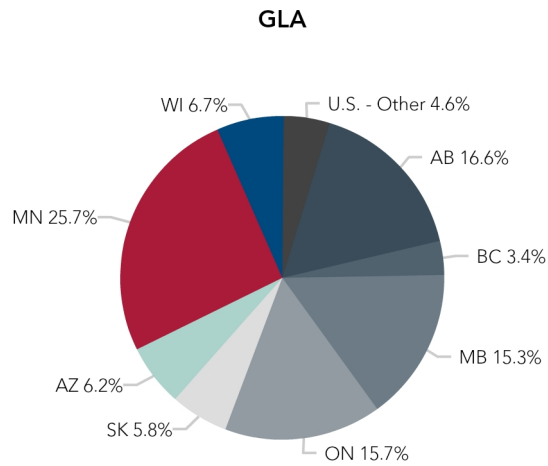
### Corporate Sustainability Progress

Corporate sustainability is a high priority for Artis. We are committed to improving the energy efficiency of our properties and reducing our environmental footprint. At September 30, 2017, we have 19 properties with a LEED certification, 40 properties with a Building Owners and Managers Association (BOMA) Building Environmental Standards (BEST) certification, and 21 properties with an Energy Star certification.

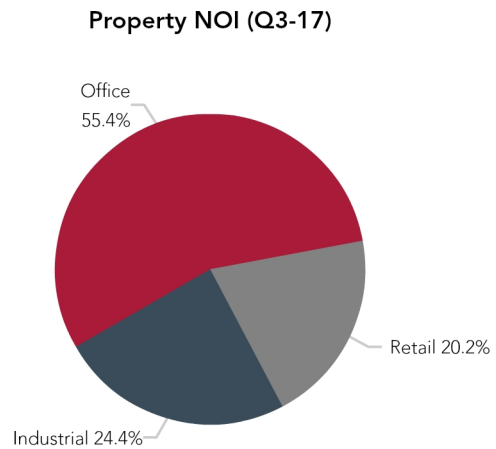
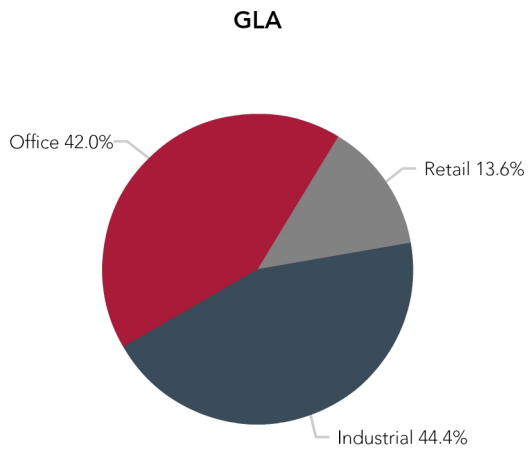
## PORTFOLIO SUMMARY

At September 30, 2017, the REIT's portfolio was comprised of 243 commercial properties totaling approximately 25.4 million square feet ("S.F.") of gross leasable area ("GLA").

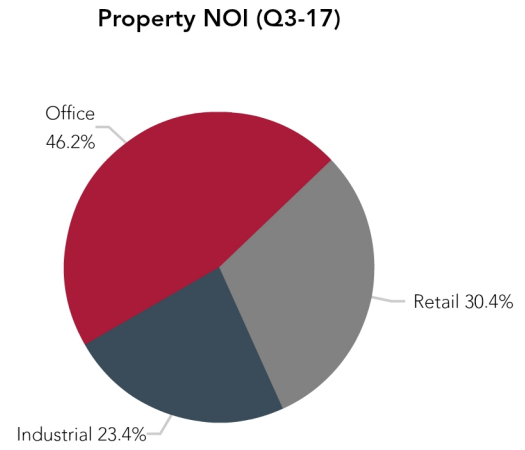
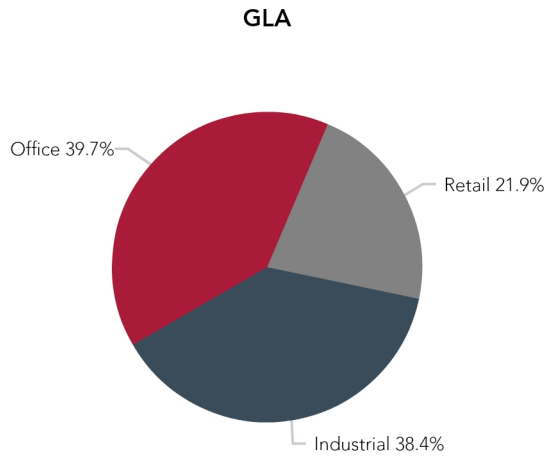
### Diversification by Geographical Region



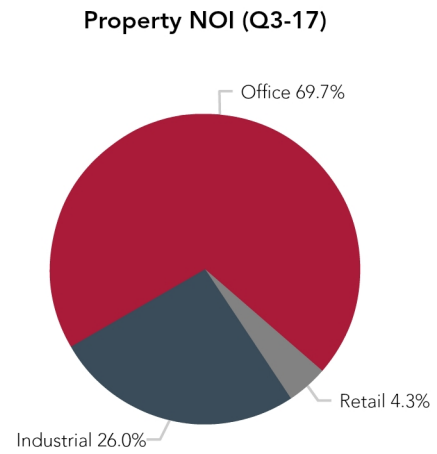
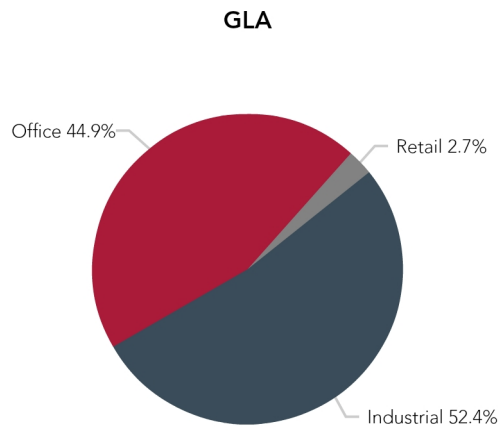
### Diversification by Asset Class - Total Canadian and U.S. Portfolio



**Diversification by Asset Class - Canadian Portfolio**



**Diversification by Asset Class - U.S. Portfolio**





Portfolio by Asset Class <sup>(1)</sup>

Asset class	City	Province / State	Property count	Owned share of GLA (000's of S.F.)	% of portfolio GLA	% Occupied	% Committed <sup>(2)</sup>
Canadian portfolio:							
Office	Calgary	AB	14	1,948	7.7%	78.5%	84.4%
	Greater Edmonton Area	AB	1	48	0.2%	91.7%	96.8%
	Greater Toronto Area	ON	7	1,085	4.3%	85.2%	85.4%
	Greater Vancouver Area	BC	3	462	1.8%	98.1%	98.1%
	Nanaimo	BC	2	68	0.3%	100.0%	100.0%
	Ottawa	ON	2	287	1.1%	96.7%	96.7%
	Red Deer	AB	1	149	0.6%	89.2%	91.4%
	Saskatoon	SK	1	64	0.2%	100.0%	100.0%
	Winnipeg	MB	9	1,344	5.3%	89.0%	93.7%
Office total			40	5,455	21.5%	86.0%	89.4%
Retail	Calgary	AB	4	294	1.2%	97.3%	99.1%
	Estevan	SK	2	175	0.7%	92.6%	92.6%
	Fort McMurray	AB	8	195	0.8%	96.3%	97.0%
	Grande Prairie	AB	5	362	1.4%	97.4%	97.4%
	Greater Edmonton Area	AB	5	440	1.7%	99.0%	99.0%
	Greater Vancouver Area	BC	1	165	0.7%	97.9%	97.9%
	Nanaimo	BC	3	74	0.3%	54.3%	64.2%
	Regina	SK	8	533	2.1%	96.7%	96.7%
	Saskatoon	SK	3	219	0.9%	99.3%	99.3%
	Winnipeg	MB	7	649	2.5%	95.8%	97.9%
Retail total			46	3,106	12.3%	96.0%	96.8%
Industrial	Calgary	AB	6	362	1.4%	92.2%	92.9%
	Greater Edmonton Area	AB	3	156	0.6%	100.0%	100.0%
	Greater Toronto Area	ON	29	2,471	9.7%	98.6%	98.9%
	Greater Vancouver Area	BC	2	98	0.4%	100.0%	100.0%
	Red Deer	AB	1	126	0.5%	96.0%	97.1%
	Regina	SK	2	143	0.6%	49.4%	49.4%
	Saskatoon	SK	5	327	1.3%	100.0%	100.0%
	Winnipeg	MB	29	1,713	6.7%	96.1%	96.3%
Industrial total			77	5,396	21.2%	96.2%	96.4%
Total Canadian portfolio			163	13,957	55.0%	92.1%	93.8%
U.S. portfolio:							
Office	Greater Denver Area	CO	4	634	2.5%	90.9%	91.3%
	Greater Phoenix Area	AZ	6	1,002	3.9%	89.9%	93.7%
	Madison	WI	16	1,696	6.7%	92.0%	92.5%
	New Hartford	NY	1	123	0.5%	100.0%	100.0%
	Twin Cities Area	MN	5	1,338	5.3%	91.1%	92.1%
Office total			32	4,793	18.9%	91.4%	92.7%
Retail	Twin Cities Area	MN	7	298	1.2%	97.1%	97.1%
Industrial	Greater Phoenix Area	AZ	3	454	1.8%	100.0%	100.0%
	Twin Cities Area	MN	31	4,753	18.7%	93.0%	93.0%
Industrial total			34	5,207	20.5%	93.6%	93.6%
Total U.S. portfolio			73	10,298	40.6%	92.7%	93.3%
Total Canadian and U.S. portfolio			236	24,255	95.6%	92.4%	93.6%

(1) Information is as at September 30, 2017, and excludes properties listed in the Properties Held for Redevelopment table and the New Development Activity table on the following page.

(2) Percentage committed is based on occupancy at September 30, 2017, plus commitments on vacant space.

## Properties Held for Redevelopment

Asset class	City	Province / State	Property count	Owned share of GLA (000's of S.F.)	% of portfolio GLA	Property	Committed % <sup>(1)</sup>
Office	Calgary	AB	1	92	0.4%	Sierra Place	57.3%
Office	Winnipeg	MB	1	171	0.7%	220 Portage Avenue	72.4%
Retail	Calgary	AB	1	51	0.2%	Sunridge Pointe	100.0%
Total properties held for redevelopment			3	314	1.3%		72.4%

(1) Percentage committed is based on occupancy at September 30, 2017, plus commitments on vacant space.

Redevelopment plans are underway to convert Sierra Place, located in Calgary, Alberta, from an office property to a residential property. The building, which is conveniently located downtown on a light rail transit (LRT) line and provides access to the Plus 15 walkway system, will have approximately 100 suites upon completion of the redevelopment. Redevelopment work is anticipated to begin in early 2018.

220 Portage Avenue, an office property in Winnipeg, Manitoba, is undergoing an extensive redevelopment to modernize both the exterior and interior of the building. Some of the upgrades include new exterior LED lighting, new building signage, new finishes to the exterior podium, revitalization of the main floor and lower level common areas (new elevator cabs and controls, flooring, wall tile, lighting), as well as considerable upgrades to office space throughout the building (new ceiling grid and tile, new mechanical systems ducted to multiple zones, new LED lighting with daylight harvesting). These upgrades will improve the energy efficiency, functionality and aesthetics of the property. 220 Portage Avenue has achieved LEED platinum certification.

Sunridge Pointe, a retail property located in Calgary, Alberta, is currently vacant and is being redeveloped to accommodate a grocery store tenant with a long-term lease commencing in Q4-17.

## Completed Redevelopments

Artis has completed the redevelopment of McCall Lake Industrial, an industrial property in Calgary, Alberta, which included upgrades to mechanical and electrical components and improvements to the loading and functionality of the building. As such, McCall Lake Industrial is no longer considered held for redevelopment.

Artis has completed the redevelopment of Alex Building (formerly referred to as Honeywell Building), located in Calgary, Alberta, which included extensive work to convert the building from an industrial property to an office property. The building is 100% leased to a new tenant pursuant to a lease that commenced in Q3-17. As such, Alex Building is no longer considered held for redevelopment.

## New Development Activity

Asset class	City	Province / State	Property count	Owned share of GLA (000's of S.F.) <sup>(1)</sup>	% of portfolio GLA	Property	% Completed	% Committed <sup>(2)</sup>
Office	Minneapolis	MN	1	139	0.5%	Millwright Building	100.0%	35.0%
Industrial	Greater Phoenix Area	AZ	1	119	0.5%	Park Lucero Phase II	100.0%	—%
Industrial	Houston	TX	1	418	1.6%	Park 8Ninety Phase I	100.0%	59.0%
Industrial	Greater Toronto Area	ON	1	130	0.5%	175 Westcreek Boulevard	100.0%	100.0%
Office	Greater Denver Area	CO	—	—	—	169 Inverness Drive West Phase I	83.0%	—%
Total completed new developments			4	806	3.1%			

(1) Owned share of GLA includes only properties where construction is 100% completed.

(2) Percentage committed is based on occupancy at September 30, 2017, plus commitments on vacant space.

## Completed New Developments:

In Q3-16, Artis entered into a joint venture arrangement for an 80% ownership interest in the Millwright Building, an office development project located in Minneapolis, Minnesota. This project, a new best-in-class mid-rise office building, is located in close proximity to the new US Bank Stadium, home of the Minnesota Vikings, in the Downtown East office market. Base-building construction of this new development, which comprises approximately 174,000 square feet, was completed in Q1-17.

In Q3-17, Artis bought the remaining 10% interest of Phase I, III and IV of Park Lucero, an industrial project located in the Greater Phoenix Area, Arizona. Construction of Phase I was completed in 2015. Construction of Park Lucero Phase II, in which Artis still has a 90% ownership interest as a joint venture arrangement, comprising 132,000 square feet was completed in Q1-17. Construction of Park Lucero Phase III, which is 100% leased and comprises 147,000 square feet, was completed in Q2-17. The entire project is expected to total approximately 580,000 square feet.

Artis owns a 127 acre parcel of development land called Park 8Ninety located in the Southwest industrial submarket in Houston, Texas, which is expected to be developed in several phases into 1,800,000 square feet of new generation industrial buildings. Artis has a 95% ownership interest in Park 8Ninety Phase I (in the form of a joint venture arrangement), which comprises four buildings totaling approximately 440,000 square feet. Construction of Park 8Ninety Phase I was completed in Q2-17.

In 2011, Artis acquired 201 Westcreek Boulevard, a 300,000 square foot industrial building with 10 acres of excess land available for future development in the Greater Toronto Area, Ontario. Construction of 175 Westcreek Boulevard, a 130,000 square foot building, was completed in Q1-17 and the property is now 100% leased to two tenants pursuant to a lease that commenced in Q2-17 and a lease that commences in Q4-17.

#### ***New Development in Process:***

Construction of 169 Inverness Drive West Phase I, an office development situated on a 10 acre parcel of land adjacent to the AT&T Building in the Greater Denver Area, Colorado, is underway. Phase I of this project includes the development of a Class A office building expected to comprise approximately 120,000 square feet. The site can accommodate a total development of 320,000 square feet and is located on the I-25 with immediate connectivity to the light rail transit system. Construction of 169 Inverness Drive West Phase I is expected to be complete in Q4-17. Leasing at this project is under way.

#### **New Development Initiatives**

##### ***New Development Initiatives - Early Planning Stages:***

Development plans are under way for a 40-storey mixed-use commercial/residential building near the corner of Portage Avenue and Main Street in Winnipeg, Manitoba. This densification opportunity is located at 300 Main Street, which is adjacent to Artis' office tower located at 360 Main Street. Additional information about this development is expected to be released later in 2017.

Artis owns a 12 acre parcel of land in Winnipeg, Manitoba, called Linden Ridge Shopping Centre Phase II, which is located adjacent to Linden Ridge Shopping Centre, a retail property also owned by Artis. Lowe's is leasing nine acres of the land at the site pursuant to a land lease which commenced in Q2-17. Artis has the potential to build an additional 30,000 square foot building on the remaining three acres of land.

Artis is exploring opportunities for a densification project at 415 Yonge Street in Toronto, Ontario. 415 Yonge Street is in a prime location in downtown Toronto, across from the College Park station and in close proximity to the University of Toronto and Ryerson University. Preliminary plans to build approximately 400 apartment units above this 19-storey office building are underway. Additional information about this development will be released as progress is made and key milestones are achieved.

Artis is exploring opportunities for a densification project at Concorde Corporate Centre in the Greater Toronto Area, Ontario. The site provides direct access to Don Valley Parkway and convenient access to other major thoroughfares in the Greater Toronto Area. Preliminary plans are underway to build 500 apartment units on the site. Additional information about this development will be released as progress is made and key milestones are achieved.

Development plans are underway to rezone the Stampede Station II site on Macleod Trail in Calgary, Alberta, from the current 300,000 square feet office project to a 30-storey multi-family project with 300 suites. Additional information will be released as key milestones are achieved.

## New Development Initiatives - Early Planning Stages and Future Development:

Asset class	City	Province / State	Estimated owned share of GLA (000's of S.F.)	Property
Residential	Winnipeg	MB	612	300 Main
Retail	Winnipeg	MB	30	Linden Ridge Shopping Centre Phase III
Residential	Toronto	ON	403	415 Yonge Street Apartments
Residential	Greater Toronto Area	ON	800	Concorde Apartments
Residential	Calgary	AB	315	Stampede Station Apartments
Industrial	Greater Phoenix Area	AZ	95	Park Lucero Phase IV
Industrial	Houston	TX	1,358	Park 8Ninety - Future Phases
Office	Houston	TX	1,458	Corridor Park
Office	Twin Cities Area	MN	335	801 Carlson Parkway
Office	Greater Denver Area	CO	120	Inverness Drive West Phase II
Retail	Greater Denver Area	CO	20	Inverness Drive West Phase III
Office	Madison	WI	130	Aspen Land <sup>(1)</sup>
Office	Madison	WI	120	Greenway Land
Office	Madison	WI	165	Heartland Trail Land

(1) Artis has an option to purchase this land.

## 2017 - THIRD QUARTER HIGHLIGHTS

## PORTFOLIO ACTIVITY

During Q3-17, Artis acquired the remaining interest in three properties held in joint venture arrangements, disposed of six properties and completed the development of one property.

	Office		Retail		Industrial		Total	
	Property count	S.F. (000's) <sup>(1)</sup>	Property count	S.F. (000's) <sup>(1)</sup>	Property count	S.F. (000's) <sup>(1)</sup>	Property count	S.F. (000's) <sup>(1)</sup>
Portfolio properties, June 30, 2017	78	10,932	54	3,528	116	11,429	248	25,889
Acquisitions	—	—	—	—	n/a <sup>(2)</sup>	36	—	36
New developments	—	—	1	n/a <sup>(3)</sup>	—	—	1	—
Dispositions	(3)	(282)	(1)	(73)	(2)	(195)	(6)	(550)
Portfolio properties, September 30, 2017	75	10,650	54	3,455	114	11,270	243	25,375

(1) Based on owned share of total leasable area.

(2) Artis acquired the remaining 10% interest in Park Lucero I, Park Lucero III and Park Lucero IV.

(3) A new land lease on a previously vacant parcel of land commenced.

## Property Acquisitions

On September 7, 2017, the REIT acquired the remaining 10% interest in each of Park Lucero I, Park Lucero III and Park Lucero IV, phases of the Park Lucero industrial project located in the Greater Phoenix Area, Arizona, for total consideration of US\$2,290. Refer to the Portfolio Summary section of this MD&A for further discussion of this project.

On September 29, 2017, the REIT also acquired a parkade that is ancillary to an existing office property in Winnipeg, Manitoba for \$13,850.

## Property Dispositions

Property	Property count	Disposition date	Location	Asset class	Owned share of GLA	Sale price
Horizon Heights	1	July 5, 2017	Calgary, AB	Retail	73,428	\$ 34,000
Sherwood Centre	1	August 15, 2017	Edmonton, AB	Industrial	162,975	13,500
6075 Kestrel Road	1	September 1, 2017	Greater Toronto Area, ON	Industrial	32,281	5,400
Quarry Park Portfolio	3	September 15, 2017	Calgary, AB	Office	282,327	98,000

During Q3-17, Artis repaid \$85,414 of mortgage debt related to the disposition of the above properties.

## FINANCING ACTIVITIES

### Credit Facilities

During Q3-17, Artis drew \$150,000 on its unsecured non-revolving term credit facility, dated June 30, 2017, and entered into an interest rate swap to effectively lock the interest rate on this facility at 3.57%.

On July 18, 2017, Artis entered into a second new unsecured non-revolving term credit facility in the amount of \$150,000 which can be utilized for general corporate and working capital purposes, property acquisitions and development financing. The facility was fully drawn on July 18, 2017 and matures on July 18, 2022. The REIT entered into an interest rate swap to effectively lock the interest rate on this facility at 3.50%.

During Q3-17, Artis repaid a net balance of \$64,000 on its unsecured revolving term credit facilities. Repayments from the proceeds of the new non-revolving term credit facilities and the proceeds of dispositions of investment properties were partially offset by repayments of maturing mortgages and for ongoing development expenditures.

### Debt Financing and Repayment Activity

During Q3-17, Artis repaid eight maturing mortgages in the aggregate amount of \$269,417. Artis received new financing on one property, net of financing costs, in the amount of \$34,641. In Q3-17, Artis drew on development loans, net of financing costs, in the amount of \$11,322.

### Series A Preferred Units Distribution Rate Reset

On September 30, 2017, the annual distribution rate was reset for the Series A preferred units. The REIT did not exercise its right to redeem any of the Series A preferred units and none of these units were reclassified to Series B preferred units. Accordingly, all 3,450,000 Series A preferred units remain issued and outstanding for the subsequent five-year period commencing October 1, 2017. During this period, Series A preferred unitholders will be entitled to receive a cumulative distribution yield of 5.662% per annum, payable quarterly, if, as and when declared by the Board of Trustees.

## DISTRIBUTIONS

Artis declared distributions of \$45,208 (YTD - \$135,749) to unitholders in Q3-17, which included distributions to preferred unitholders in the amount of \$4,548 (YTD - \$13,775).

## SELECTED FINANCIAL INFORMATION

000's, except per unit amounts	Three months ended				Nine months ended			
	September 30,		Change	% Change	September 30,		Change	% Change
	2017	2016			2017	2016		
Revenue	\$ 134,091	\$ 148,925	\$ (14,834)	(10.0)%	\$ 409,846	\$ 426,137	\$ (16,291)	(3.8)%
Property NOI	81,261	91,855	(10,594)	(11.5)%	246,931	262,768	(15,837)	(6.0)%
Net income	64,803	76,876	(12,073)	(15.7)%	180,372	146,227	34,145	23.4 %
Basic income per common unit	0.40	0.48	(0.08)	(16.7)%	1.11	0.92	0.19	20.7 %
Diluted income per common unit	0.40	0.48	(0.08)	(16.7)%	1.10	0.92	0.18	19.6 %
Distributions to common unitholders	\$ 40,660	\$ 40,320	\$ 340	0.8 %	\$ 121,974	\$ 116,503	\$ 5,471	4.7 %
Distributions per common unit	0.27	0.27	—	— %	0.81	0.81	—	— %
FFO <sup>(1)</sup>	\$ 53,690	\$ 61,088	\$ (7,398)	(12.1)%	\$ 162,985	\$ 169,468	\$ (6,483)	(3.8)%
FFO per unit	0.36	0.41	(0.05)	(12.2)%	1.08	1.17	(0.09)	(7.7)%
FFO payout ratio <sup>(1)</sup>	75.0%	65.9%		9.1 %	75.0%	69.2%		5.8 %
AFFO <sup>(1)</sup>	\$ 38,590	\$ 46,628	\$ (8,038)	(17.2)%	\$ 119,474	\$ 128,079	\$ (8,605)	(6.7)%
AFFO per unit <sup>(1)</sup>	0.26	0.31	(0.05)	(16.1)%	0.79	0.89	(0.10)	(11.2)%
AFFO payout ratio <sup>(1)</sup>	103.8%	87.1%		16.7 %	102.5%	91.0%		11.5 %
Interest coverage ratio	3.04	3.13	(0.09)	(2.9)%	3.06	2.98	0.08	2.7 %
EBITDA interest coverage ratio	3.23	3.24	(0.01)	(0.3)%	3.24	3.10	0.14	4.5 %

(1) The 2016 comparative information has been revised to reflect the impact of the new FFO and AFFO guidelines as issued by REALpac in February 2017. Please refer to the FFO and AFFO section of this MD&A for a comparison of the revised Q3-16 amounts to previously disclosed amounts.

Revenue, Property NOI, FFO and AFFO were impacted by acquisitions, dispositions, completed (re)developments, lease termination income received from tenants and the impact of foreign exchange in 2016 and 2017.

000's, except per unit amounts	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Consolidated financial statements debt to GBV:				
Secured mortgages and loans to GBV	31.4%	36.9%	38.5%	39.1%
Total long-term debt and credit facilities to GBV	48.1%	48.8%	48.8%	49.8%
Proportionate Share debt to GBV:				
Secured mortgages and loans to GBV	33.3%	38.9%	40.2%	40.6%
Total long-term debt and credit facilities to GBV	49.6%	50.4%	50.2%	51.0%
Total long-term debt and credit facilities to EBITDA	8.2	8.5	8.5	8.4
NAV per unit	\$ 14.74	\$ 14.89	\$ 15.12	\$ 15.00
Total assets	\$ 5,378,648	\$ 5,524,874	\$ 5,597,043	\$ 5,664,907
Total non-current financial liabilities	1,923,206	1,690,349	1,865,840	1,962,023

## ANALYSIS OF OPERATING RESULTS

The following provides a reconciliation of the consolidated statements of operations as prepared in accordance with IFRS in the REIT's consolidated financial statements to its Proportionate Share:

Three months ended September 30,						
2017				2016		
	Per consolidated financial statements	Adjustment <sup>(1)</sup>	Total Proportionate Share	Per consolidated financial statements	Adjustment <sup>(1)</sup>	Total Proportionate Share
Revenue	\$ 127,008	\$ 7,083	\$ 134,091	\$ 143,094	\$ 5,831	\$ 148,925
Expenses:						
Property operating	30,065	2,061	32,126	32,534	1,764	34,298
Realty taxes	19,639	1,065	20,704	21,887	885	22,772
	49,704	3,126	52,830	54,421	2,649	57,070
Net operating income	77,304	3,957	81,261	88,673	3,182	91,855
Other income (expenses):						
Corporate expenses	(3,334)	—	(3,334)	(2,929)	—	(2,929)
Interest expense	(23,882)	(1,886)	(25,768)	(27,329)	(1,192)	(28,521)
Interest income	300	2	302	296	2	298
Net income from investments in joint ventures	7,896	(7,896)	—	3,763	(3,763)	—
Fair value gain on investment properties	2,486	5,823	8,309	18,430	1,771	20,201
Foreign currency translation (loss) gain	(3,542)	—	(3,542)	206	—	206
Transaction costs	(567)	—	(567)	(195)	—	(195)
Gain (loss) on financial instruments	8,231	—	8,231	(4,039)	—	(4,039)
Income before income taxes	64,892	—	64,892	76,876	—	76,876
Income tax expense	(89)	—	(89)	—	—	—
Net income	64,803	—	64,803	76,876	—	76,876
Other comprehensive (loss) income:						
Unrealized foreign currency translation (loss) gain	(33,545)	(11,210)	(44,755)	10,016	(139)	9,877
Unrealized foreign currency translation loss on joint ventures	(11,210)	11,210	—	(139)	139	—
Unrealized loss from remeasurements of net pension obligation	(70)	—	(70)	(4)	—	(4)
	(44,825)	—	(44,825)	9,873	—	9,873
Total comprehensive income	\$ 19,978	\$ —	\$ 19,978	\$ 86,749	\$ —	\$ 86,749

(1) Adjustment to reflect investments in joint ventures on a Proportionate Share basis.

Nine months ended September 30,							
2017				2016			
	Per consolidated financial statements	Adjustment <sup>(1)</sup>	Total Proportionate Share	Per consolidated financial statements	Adjustment <sup>(1)</sup>	Total Proportionate Share	
Revenue	\$ 390,072	\$ 19,774	\$ 409,846	\$ 408,488	\$ 17,649	\$ 426,137	
Expenses:							
Property operating	91,633	5,883	97,516	89,764	5,069	94,833	
Realty taxes	62,157	3,242	65,399	65,688	2,848	68,536	
	153,790	9,125	162,915	155,452	7,917	163,369	
Net operating income	236,282	10,649	246,931	253,036	9,732	262,768	
Other income (expenses):							
Corporate expenses	(10,446)	—	(10,446)	(10,088)	—	(10,088)	
Interest expense	(73,034)	(4,597)	(77,631)	(81,798)	(3,356)	(85,154)	
Interest income	841	5	846	924	4	928	
Net income from investments in joint ventures	15,538	(15,538)	—	7,286	(7,286)	—	
Fair value (loss) gain on investment properties	(212)	9,481	9,269	(17,466)	906	(16,560)	
Foreign currency translation gain	2,877	—	2,877	2,350	—	2,350	
Transaction costs	(567)	—	(567)	(1,096)	—	(1,096)	
Gain (loss) on financial instruments	8,841	—	8,841	(6,921)	—	(6,921)	
Income before income taxes	180,120	—	180,120	146,227	—	146,227	
Income tax recovery	252	—	252	—	—	—	
Net income	180,372	—	180,372	146,227	—	146,227	
Other comprehensive loss:							
Unrealized foreign currency translation loss	(68,892)	(16,025)	(84,917)	(40,035)	(6,546)	(46,581)	
Unrealized foreign currency translation loss on joint ventures	(16,025)	16,025	—	(6,546)	6,546	—	
Unrealized loss from remeasurements of net pension obligation	(78)	—	(78)	(30)	—	(30)	
	(84,995)	—	(84,995)	(46,611)	—	(46,611)	
Total comprehensive income	\$ 95,377	\$ —	\$ 95,377	\$ 99,616	\$ —	\$ 99,616	

(1) Adjustment to reflect investments in joint ventures on a Proportionate Share basis.



## REVENUE AND PROPERTY NOI

	Three months ended September 30, 2017				Nine months ended September 30, 2017			
	2017	2016	Change	% Change	2017	2016	Change	% Change
Revenue:								
Basic rent, parking and other revenue	\$ 92,684	\$ 100,189	\$ (7,505)		\$ 283,938	\$ 290,190	\$ (6,252)	
Operating cost and realty tax recoveries	43,686	47,322	(3,636)		132,869	138,526	(5,657)	
Amortization of tenant inducements	(4,689)	(4,456)	(233)		(13,848)	(12,879)	(969)	
Straight-line rent adjustments	1,954	1,979	(25)		5,488	4,451	1,037	
Lease termination income	456	3,891	(3,435)		1,399	5,849	(4,450)	
	134,091	148,925	(14,834)	(10.0)%	409,846	426,137	(16,291)	(3.8)%
Expenses:								
Property operating	32,126	34,298	(2,172)		97,516	94,833	2,683	
Realty taxes	20,704	22,772	(2,068)		65,399	68,536	(3,137)	
	52,830	57,070	(4,240)	(7.4)%	162,915	163,369	(454)	(0.3)%
Property NOI	\$ 81,261	\$ 91,855	\$ (10,594)	(11.5)%	\$ 246,931	\$ 262,768	\$ (15,837)	(6.0)%

Basic rent, parking and other revenue, as well as operating cost and realty tax recoveries, are revenues earned from tenants primarily related to lease agreements.

Artis accounts for tenant inducements by amortizing the cost over the term of the tenant's lease.

Artis accounts for rent steps by straight-lining the incremental increases over the entire non-cancelable lease term.

Lease termination income relates to payments received from tenants where the REIT and the tenant agreed to terminate a lease prior to the contractual expiry date. Lease termination income is common in the real estate industry, however, it is unpredictable and period-over-period changes are not indicative of trends.

Property operating expenses include costs related to interior and exterior maintenance, insurance, utilities and property management expenses.

## SAME PROPERTY NOI ANALYSIS

Same Property NOI comparison includes investment properties that were owned for a full quarterly reporting period in both the current and comparative year, and excludes properties held for (re)development.

	Three months ended September 30, 2017				Nine months ended September 30, 2017			
	2017	2016	Change	% Change	2017	2016	Change	% Change
Revenue <sup>(1)</sup>	\$ 126,035	\$ 128,162			\$ 372,057	\$ 377,180		
Add (deduct) non-cash revenue adjustments:								
Amortization of tenant inducements	4,365	3,930			12,957	11,474		
Straight-line rent adjustments	(1,476)	(1,654)			(3,747)	(3,846)		
	128,924	130,438			381,267	384,808		
Property operating and realty tax expenses	50,897	52,780			149,407	152,348		
Same Property NOI	\$ 78,027	\$ 77,658	\$ 369	0.5%	\$ 231,860	\$ 232,460	\$ (600)	(0.3)%

(1) Adjusted for non-recurring revenue amounts such as lease termination income.

Lease termination income related to significant tenants of \$421 (YTD - \$1,221) in Q3-17, compared to \$nil (YTD - \$1,774) in Q3-16, has been excluded, other than the portion that covers lost revenue due to vacancy, for purposes of the Same Property NOI calculation.

### Same Property NOI by Asset Class

	Three months September 30,		Change	% Change	Nine months ended September 30,		Change	% Change
	2017	2016			2017	2016		
Canada								
Office	\$ 22,760	\$ 22,940	\$ (180)	(0.8)%	\$ 72,451	\$ 73,523	\$ (1,072)	(1.5)%
Retail	15,010	14,307	703	4.9 %	45,199	44,682	517	1.2 %
Industrial	11,257	10,781	476	4.4 %	33,825	32,375	1,450	4.5 %
Total Canada	49,027	48,028	999	2.1 %	151,475	150,580	895	0.6 %
U.S.								
Office	15,599	15,370	229	1.5 %	39,904	39,900	4	— %
Retail	1,128	1,127	1	0.1 %	3,237	3,601	(364)	(0.6)%
Industrial	6,428	6,206	222	3.6 %	18,539	18,432	107	0.2 %
Total U.S.	23,155	22,703	452	2.0 %	61,680	61,933	(253)	(0.4)%
Total in functional currency	72,182	70,731	1,451	2.1 %	213,155	212,513	642	0.3 %
Foreign exchange	5,845	6,927	(1,082)	(15.6)%	18,705	19,947	(1,242)	(6.2)%
Total in Canadian dollars	\$ 78,027	\$ 77,658	\$ 369	0.5 %	\$ 231,860	\$ 232,460	\$ (600)	(0.3)%

Artis' Canadian office segment decreased primarily due to increased vacancy and lower rents in Calgary, Alberta. Excluding the impact of the Calgary office properties, the Canadian office segment increased \$523 (YTD - increased \$793) or 3.6% (YTD - increased 1.8%).

### Same Property Occupancy Report

Geographical Region	As at September 30,		Asset Class	As at September 30,	
	2017	2016		2017	2016
Alberta	87.7%	88.8%	Office	88.6%	90.0%
British Columbia	94.7%	90.3%	Retail	94.4%	93.3%
Manitoba	93.5%	92.7%	Industrial	94.9%	93.0%
Ontario	94.7%	93.5%			
Saskatchewan	92.8%	96.8%			
Arizona	92.3%	93.4%	Total	92.4%	91.9%
Minnesota	92.8%	91.7%			
Wisconsin	92.5%	88.3%			
U.S. - Other	92.4%	94.8%			
Total	92.4%	91.9%			

## Same Property NOI by Geographical Region and stabilized Same Property NOI

	Three months September 30,		Change	% Change	Nine months ended September 30,		Change	% Change
	2017	2016			2017	2016		
Alberta	\$ 19,377	\$ 19,585	\$ (208)	(1.1)%	\$ 63,645	\$ 65,189	\$ (1,544)	(2.4)%
British Columbia	3,756	3,528	228	6.5 %	10,659	10,459	200	1.9 %
Manitoba	11,348	10,684	664	6.2 %	33,797	32,194	1,603	5.0 %
Ontario	9,321	9,159	162	1.8 %	27,655	27,357	298	1.1 %
Saskatchewan	5,225	5,072	153	3.0 %	15,719	15,381	338	2.2 %
Arizona	4,654	4,822	(168)	(3.5)%	15,005	14,800	205	1.4 %
Minnesota	11,469	11,404	65	0.6 %	33,714	34,726	(1,012)	(2.9)%
Wisconsin	4,240	3,599	641	17.8 %	4,240	3,599	641	17.8 %
U.S. - Other	2,792	2,878	(86)	(3.0)%	8,721	8,808	(87)	(1.0)%
Total Same Property NOI in functional currency	72,182	70,731	1,451	2.1 %	213,155	212,513	642	0.3 %
Less: properties planned for disposition	(3,359)	(3,187)	(172)	5.4 %	(8,838)	(9,274)	436	(4.7)%
Less: properties planned for re-purposing	—	—	—	— %	(203)	(731)	528	(72.2)%
Less: Calgary office segment	(7,792)	(8,495)	703	(8.3)%	(28,098)	(29,883)	1,785	(6.0)%
Stabilized Same Property NOI in functional currency	61,031	59,049	1,982	3.4 %	176,016	172,625	3,391	2.0 %
Foreign exchange	5,192	6,159	(967)	(15.7)%	16,517	17,504	(987)	(5.6)%
Stabilized Same Property NOI in Canadian dollars	\$ 66,223	\$ 65,208	\$ 1,015	1.6 %	\$ 192,533	\$ 190,129	\$ 2,404	1.3 %

The REIT has presented a stabilized Same Property NOI calculation which excludes properties planned for disposition, those undergoing plans for re-purposing and the Calgary office segment.

Management has made the strategic decision to list all seven Minnesota retail properties for sale in 2017. The REIT also listed for sale the Humana Building, an office building in the Greater Phoenix Area, Arizona. Subsequent to Q3-17, the REIT sold 488 Albert Street, an office property in Nanaimo, British Columbia. The REIT has also entered into unconditional agreements to sell Millennium Centre, an office property in Red Deer, Alberta and seven industrial properties comprising 1,204,612 square feet in the Twin Cities Area, Minnesota. These properties are part of a capital recycling program to acquire newer generation real estate in Artis' target markets.

The Calgary office segment has been considered a non-stabilized segment as the recent volatility of oil prices on Alberta's economy has created non-stabilized results. Management has been proactive in new leasing and tenant retention initiatives, and is focused on minimizing risk wherever possible. During Q3-17, the REIT sold the Quarry Park portfolio, which was comprised of three Calgary office properties.

## PROPERTY NOI BY ASSET CLASS

## Canadian Portfolio:

In Q3-17, Property NOI in all segments decreased due to dispositions in 2016 and 2017. The office segment continues to decline due to increased vacancy and lower rents in Calgary, Alberta. Also contributing to this decrease was lower occupancy at 220 Portage Avenue, an office property in Winnipeg, Manitoba being redeveloped. The retail segment decreased due to lease termination income received in Q3-16.

	Three months ended September 30,					
	2017			2016		
	Office	Retail	Industrial	Office	Retail	Industrial
Revenue	\$ 41,047	\$ 22,180	\$ 17,299	\$ 46,084	\$ 29,103	\$ 20,896
Property operating and realty tax expenses	18,185	7,145	5,701	20,118	7,989	6,520
Property NOI	\$ 22,862	\$ 15,035	\$ 11,598	\$ 25,966	\$ 21,114	\$ 14,376
Share of Property NOI	46.2%	30.4%	23.4%	42.2%	34.4%	23.4%

**U.S. Portfolio:**

In Q3-17, Property NOI increased in the office and industrial asset classes in comparison to Q3-16. The office segment increased due to increased occupancy in two properties located in Madison, Wisconsin and acquisitions in 2016. The industrial segment increased primarily due to completion of the Park 8Ninety Phase I and Park Lucero Phase III developments. The U.S. region has also been impacted by the effect of foreign exchange.

	Three months ended September 30,					
	2017			2016		
	Office	Retail	Industrial	Office	Retail	Industrial
Revenue	\$ 38,661	\$ 2,237	\$ 12,480	\$ 38,249	\$ 2,429	\$ 12,114
Property operating and realty tax expenses	16,651	876	4,272	16,853	999	4,591
Property NOI	\$ 22,010	\$ 1,361	\$ 8,208	\$ 21,396	\$ 1,430	\$ 7,523
Share of Property NOI	69.7%	4.3%	26.0%	70.5%	4.7%	24.8%

**Total Canadian and U.S. Portfolio:**

	Three months ended September 30,					
	2017			2016		
	Office	Retail	Industrial	Office	Retail	Industrial
Revenue	\$ 79,708	\$ 24,417	\$ 29,779	\$ 84,333	\$ 31,532	\$ 33,010
Property operating and realty tax expenses	34,836	8,021	9,973	36,971	8,988	11,111
Property NOI	\$ 44,872	\$ 16,396	\$ 19,806	\$ 47,362	\$ 22,544	\$ 21,899
Share of Property NOI	55.4%	20.2%	24.4%	51.5%	24.6%	23.9%

## Canadian Portfolio:

	Nine months ended September 30,					
	2017			2016		
	Office	Retail	Industrial	Office	Retail	Industrial
Revenue	\$ 127,986	\$ 68,364	\$ 51,253	\$ 139,675	\$ 84,875	\$ 62,161
Property operating and realty tax expenses	57,802	22,200	16,611	61,301	25,342	19,380
Property NOI	\$ 70,184	\$ 46,164	\$ 34,642	\$ 78,374	\$ 59,533	\$ 42,781
Share of Property NOI	46.5%	30.6%	22.9%	43.4%	32.9%	23.7%

## U.S. Portfolio:

	Nine months ended September 30,					
	2017			2016		
	Office	Retail	Industrial	Office	Retail	Industrial
Revenue	\$ 119,011	\$ 6,714	\$ 36,200	\$ 94,744	\$ 7,510	\$ 36,985
Property operating and realty tax expenses	50,271	2,686	13,345	40,417	2,884	14,045
Property NOI	\$ 68,740	\$ 4,028	\$ 22,855	\$ 54,327	\$ 4,626	\$ 22,940
Share of Property NOI	71.9%	4.2%	23.9%	66.4%	5.6%	28.0%

## Total Canadian and U.S. Portfolio:

	Nine months ended September 30,					
	2017			2016		
	Office	Retail	Industrial	Office	Retail	Industrial
Revenue	\$ 246,997	\$ 75,078	\$ 87,453	\$ 234,419	\$ 92,385	\$ 99,146
Property operating and realty tax expenses	108,073	24,886	29,956	101,718	28,226	33,425
Property NOI	\$ 138,924	\$ 50,192	\$ 57,497	\$ 132,701	\$ 64,159	\$ 65,721
Share of Property NOI	56.3%	20.4%	23.3%	50.6%	24.4%	25.0%

## PROPERTY NOI BY GEOGRAPHICAL REGION

In Q3-17, Property NOI decreased in Alberta due to dispositions in 2016 and 2017 and increased vacancy and lower rents in the Calgary office segment. Property NOI decreased in British Columbia due to dispositions in 2016 and 2017 and lease termination income received in Q3-16. During 2016, Artis entered into the Wisconsin region through a two-phased acquisition of the Madison Lifestyle Office Portfolio. The U.S. region has also been impacted by the effect of foreign exchange.

## Three months ended September 30, 2017

	Canada					U.S.			
	AB	BC	MB	ON	SK	AZ	MN	WI	Other
Revenue	\$ 32,109	\$ 5,386	\$ 19,428	\$ 15,731	\$ 7,872	\$ 9,228	\$ 24,797	\$ 13,127	\$ 6,226
Property operating and realty tax expenses	11,814	1,983	8,268	6,448	2,519	3,272	10,934	4,982	2,610
Property NOI	\$ 20,295	\$ 3,403	\$ 11,160	\$ 9,283	\$ 5,353	\$ 5,956	\$ 13,863	\$ 8,145	\$ 3,616
Share of Property NOI	25.0%	4.2%	13.8%	11.5%	6.6%	7.3%	17.1%	10.0%	4.5%

## Three months ended September 30, 2016

	Canada					U.S.			
	AB	BC	MB	ON	SK	AZ	MN	WI	Other
Revenue	\$ 43,553	\$ 10,595	\$ 18,888	\$ 15,431	\$ 7,616	\$ 9,473	\$ 25,887	\$ 11,382	\$ 6,050
Property operating and realty tax expenses	15,866	2,298	7,794	6,235	2,434	3,397	11,617	4,911	2,518
Property NOI	\$ 27,687	\$ 8,297	\$ 11,094	\$ 9,196	\$ 5,182	\$ 6,076	\$ 14,270	\$ 6,471	\$ 3,532
Share of Property NOI	30.2%	9.0%	12.1%	10.0%	5.7%	6.6%	15.5%	7.0%	3.9%

## Nine months ended September 30, 2017

	Canada					U.S.			
	AB	BC	MB	ON	SK	AZ	MN	WI	Other
Revenue	\$ 103,518	\$ 17,392	\$ 57,333	\$ 46,134	\$ 23,226	\$ 28,897	\$ 75,498	\$ 39,061	\$ 18,469
Property operating and realty tax expenses	38,840	6,785	24,581	19,126	7,281	9,549	33,054	15,945	7,754
Property NOI	\$ 64,678	\$ 10,607	\$ 32,752	\$ 27,008	\$ 15,945	\$ 19,348	\$ 42,444	\$ 23,116	\$ 10,715
Share of Property NOI	26.2%	4.3%	13.3%	11.0%	6.5%	7.8%	17.2%	9.4%	4.3%

## Nine months ended September 30, 2016

	Canada					U.S.			
	AB	BC	MB	ON	SK	AZ	MN	WI	Other
Revenue	\$ 133,165	\$ 26,734	\$ 57,485	\$ 46,381	\$ 22,946	\$ 28,835	\$ 78,827	\$ 13,006	\$ 18,571
Property operating and realty tax expenses	46,913	8,422	24,460	19,036	7,192	9,653	34,537	5,495	7,661
Property NOI	\$ 86,252	\$ 18,312	\$ 33,025	\$ 27,345	\$ 15,754	\$ 19,182	\$ 44,290	\$ 7,511	\$ 10,910
Share of Property NOI	32.8%	7.0%	12.6%	10.4%	6.0%	7.3%	16.9%	2.9%	4.1%

## PORTFOLIO OCCUPANCY

Occupancy levels impact the REIT's revenues and Property NOI. Occupancy and commitments at September 30, 2017, and the previous four periods, were as follows:

### Occupancy Report by Asset Class <sup>(1)</sup>

	Q3-17 % Committed <sup>(2)</sup>	Q3-17	Q2-17	Q1-17	Q4-16	Q3-16
Office	90.9%	88.5%	89.2%	88.7%	89.1%	90.0%
Retail	96.9%	96.1%	93.9%	93.1%	93.0%	94.9%
Industrial	95.0%	94.9%	92.5%	92.9%	94.2%	95.0%
Total portfolio	93.6%	92.4%	91.3%	91.1%	91.9%	92.9%

(1) Based on properties included in the Portfolio Summary - Portfolio by Asset Class table.

(2) Percentage committed is based on occupancy at September 30, 2017, plus commitments on vacant space.

### Occupancy Report by Geographical Region <sup>(1)</sup>

	Q3-17 % Committed <sup>(2)</sup>	Q3-17	Q2-17	Q1-17	Q4-16	Q3-16
Canada:						
Alberta	90.9%	87.7%	86.2%	88.0%	86.4%	90.9%
British Columbia	95.5%	94.7%	93.3%	89.6%	92.4%	92.7%
Manitoba	95.6%	93.5%	93.8%	94.2%	93.8%	92.7%
Ontario	94.9%	94.7%	93.2%	93.2%	93.2%	93.5%
Saskatchewan	92.8%	92.8%	92.5%	97.8%	97.6%	96.8%
U.S.:						
Arizona	95.7%	93.1%	96.6%	92.6%	93.4%	99.5%
Minnesota	93.0%	92.8%	90.4%	89.4%	92.9%	93.4%
Wisconsin	92.5%	92.0%	92.2%	87.5%	89.7%	89.6%
Other	92.7%	92.4%	92.6%	93.8%	93.8%	94.8%
Total portfolio	93.6%	92.4%	91.3%	91.1%	91.9%	92.9%

(1) Based on properties included in the Portfolio Summary - Portfolio by Asset Class table.

(2) Percentage committed is based on occupancy at September 30, 2017, plus commitments on vacant space.

## PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

### Renewal Summary

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Leasable area renewed	572,330	919,580	1,778,863	2,180,217
Increase in weighted-average rental rate	0.6%	2.3%	2.6%	3.4%

Excluding the impact of Calgary office segment lease renewals, Artis' increase in the weighted-average rental rate was 1.7% in Q3-17 (YTD - increase of 5.7%).

The percentage change on renewal activity is calculated by comparing the rental rate in place at the end of the expiring term to the rental rate in place at the commencement of the new term. In many cases, leases are negotiated or renewed such that there are contractual rent escalations over the course of the new lease term. In these cases, the average rent over the new term will be higher than the rate at commencement, which is not reflected in the above table results.

**Lease Expiries by Asset Class (in S.F.)<sup>(1)</sup>**

	Current vacancy	Monthly tenants <sup>(2)</sup>	2017	2018	2019	2020	2021 & later	Total
Office - uncommitted	929,889	56,035	238,512	878,270	1,154,030	1,101,686	4,766,247	9,124,669
Office - committed	247,847	—	415,905	148,704	134,284	38,726	137,420	1,122,886
Total office	1,177,736	56,035	654,417	1,026,974	1,288,314	1,140,412	4,903,667	10,247,555
Retail - uncommitted	106,647	28,073	37,884	426,306	286,979	523,452	1,796,286	3,205,627
Retail - committed	27,465	—	86,341	58,490	2,638	2,320	21,056	198,310
Total retail	134,112	28,073	124,225	484,796	289,617	525,772	1,817,342	3,403,937
Industrial - uncommitted	526,022	99,607	151,672	994,719	1,047,776	1,390,463	5,572,657	9,782,916
Industrial - committed	13,430	—	435,634	267,042	20,582	21,882	62,350	820,920
Total industrial	539,452	99,607	587,306	1,261,761	1,068,358	1,412,345	5,635,007	10,603,836
Total - uncommitted	1,562,558	183,715	428,068	2,299,295	2,488,785	3,015,601	12,135,190	22,113,212
Total - committed	288,742	—	937,880	474,236	157,504	62,928	220,826	2,142,116
Total portfolio	1,851,300	183,715	1,365,948	2,773,531	2,646,289	3,078,529	12,356,016	24,255,328

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.

(2) Includes holdovers and renewals where term has not been negotiated.

**In-Place Rents**

In-place rents reflect the weighted-average net annual rental rate per square foot as at September 30, 2017, for the leasable area expiring in the year indicated. In-place rents do not reflect either the average rate over the term of the lease or the rate in place in the year of expiry.

**Market Rents**

Market rents are estimates and are shown as a net annual rate per square foot. Artis reviews market rents across the portfolio on an on-going basis. Market rent estimates are based on management's best estimate for each leasable space and may take into consideration the property manager's revenue budget, recent leasing activity, current prospects, future commitments or publicly available market information. Rates applied in future expiry years (with the exception of certain segments of the Alberta market) do not allow for the impact of inflation, nor do they attempt to factor in anticipated higher (or lower) than normal periods of demand or market rent inflation due to specific market conditions.



**Market Rents by Asset Class <sup>(1)</sup>****Canadian Portfolio:**

	2017	2018	2019	2020	2021 & later	Total
Office						
In-place rents	\$ 21.23	\$ 18.38	\$ 16.29	\$ 15.20	\$ 17.05	\$ 17.25
Market rents	15.74	14.50	14.15	15.30	18.18	16.56
Change	(25.9)%	(21.1)%	(13.1)%	0.7 %	6.6 %	(4.0)%
Revenue impact <sup>(2)</sup>	\$ (2,142)	\$ (2,161)	\$ (1,701)	\$ 48	\$ 2,749	\$ (3,207)
Retail						
In-place rents	\$ 17.17	\$ 22.49	\$ 25.77	\$ 19.17	\$ 21.35	\$ 21.47
Market rents	18.00	23.19	26.05	19.33	22.08	22.07
Change	4.8 %	3.1 %	1.1 %	0.9 %	3.4 %	2.8 %
Revenue impact <sup>(2)</sup>	\$ 89	\$ 329	\$ 77	\$ 73	\$ 1,200	\$ 1,768
Industrial						
In-place rents	\$ 7.70	\$ 5.54	\$ 7.29	\$ 7.85	\$ 9.34	\$ 8.34
Market rents	8.03	5.62	7.06	7.80	9.28	8.30
Change	4.3 %	1.4 %	(3.2)%	(0.6)%	(0.6)%	(0.4)%
Revenue impact <sup>(2)</sup>	\$ 71	\$ 55	\$ (90)	\$ (48)	\$ (194)	\$ (206)
Total Canadian portfolio						
In-place rents	\$ 16.54	\$ 14.25	\$ 15.74	\$ 12.57	\$ 14.83	\$ 14.63
Market rents	13.76	13.23	14.56	12.61	15.36	14.50
Change	(16.8)%	(7.2)%	(7.5)%	0.3 %	3.6 %	(0.9)%
Revenue impact <sup>(2)</sup>	\$ (1,982)	\$ (1,777)	\$ (1,714)	\$ 73	\$ 3,755	\$ (1,645)

**U.S. Portfolio:**

	2017	2018	2019	2020	2021 & later	Total
Office						
In-place rents	\$ 14.44	\$ 16.73	\$ 21.61	\$ 18.90	\$ 17.61	\$ 17.98
Market rents	16.04	16.69	22.72	18.93	18.37	18.63
Change	11.1%	(0.2)%	5.1 %	0.2%	4.3%	3.6%
Revenue impact <sup>(2)</sup>	\$ 423	\$ (20)	\$ 547	\$ 18	\$ 1,871	\$ 2,839
Retail						
In-place rents	\$ 10.22	\$ 21.65	\$ 19.08	\$ 12.96	\$ 14.74	\$ 14.40
Market rents	12.28	20.43	19.78	14.60	14.98	15.11
Change	20.2%	(5.6)%	3.7 %	12.7%	1.6%	4.9%
Revenue impact <sup>(2)</sup>	\$ 35	\$ (13)	\$ 8	\$ 137	\$ 39	\$ 206
Industrial						
In-place rents	\$ 4.06	\$ 5.05	\$ 5.46	\$ 5.26	\$ 5.92	\$ 5.54
Market rents	4.11	4.97	5.31	5.37	6.13	5.64
Change	1.2%	(1.6)%	(2.7)%	2.1%	3.5%	1.8%
Revenue impact <sup>(2)</sup>	\$ 15	\$ (41)	\$ (98)	\$ 58	\$ 550	\$ 484
Total U.S. portfolio						
In-place rents	\$ 8.42	\$ 10.56	\$ 12.27	\$ 12.88	\$ 11.62	\$ 11.54
Market rents	9.14	10.49	12.66	13.05	12.08	11.91
Change	8.6%	(0.7)%	3.2 %	1.3%	4.0%	3.2%
Revenue impact <sup>(2)</sup>	\$ 473	\$ (74)	\$ 457	\$ 213	\$ 2,460	\$ 3,529

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.

(2) This impact is based on the difference between the in-place rents and the market rents for the period in Canadian and US dollars. This excludes the impact of any straight-line rent adjustments on revenues.

Total Canadian and U.S. Portfolio <sup>(1)</sup>:

	2017	2018	2019	2020	2021 & later	Total
<b>Office</b>						
In-place rents	\$ 18.49	\$ 17.62	\$ 18.33	\$ 17.39	\$ 17.33	\$ 17.60
Market rents	15.86	15.50	17.43	17.45	18.27	17.56
Change	(14.2)%	(12.0)%	(4.9)%	0.3%	5.4%	(0.2)%
Revenue impact <sup>(2)</sup>	\$ (1,719)	\$ (2,181)	\$ (1,154)	\$ 66	\$ 4,620	\$ (368)
<b>Retail</b>						
In-place rents	\$ 16.22	\$ 22.47	\$ 25.50	\$ 18.18	\$ 20.75	\$ 20.84
Market rents	17.21	23.13	25.79	18.58	21.43	21.45
Change	6.1 %	2.9 %	1.1 %	2.2%	3.3%	2.9 %
Revenue impact <sup>(2)</sup>	\$ 124	\$ 316	\$ 85	\$ 210	\$ 1,239	\$ 1,974
<b>Industrial</b>						
In-place rents	\$ 5.39	\$ 5.33	\$ 6.11	\$ 6.87	\$ 7.72	\$ 6.98
Market rents	5.54	5.34	5.94	6.88	7.78	7.01
Change	2.8 %	0.2 %	(2.8)%	0.1%	0.8%	0.4 %
Revenue impact <sup>(2)</sup>	\$ 86	\$ 14	\$ (188)	\$ 10	\$ 356	\$ 278
<b>Total Canadian and U.S. portfolio</b>						
In-place rents	\$ 12.65	\$ 12.88	\$ 14.18	\$ 12.70	\$ 13.45	\$ 13.31
Market rents	11.55	12.21	13.71	12.79	13.95	13.40
Change	(8.7)%	(5.2)%	(3.3)%	0.7%	3.7%	0.7 %
Revenue impact <sup>(2)</sup>	\$ (1,509)	\$ (1,851)	\$ (1,257)	\$ 286	\$ 6,215	\$ 1,884
<b>Total Canadian and U.S. portfolio excluding Calgary office segment</b>						
In-place rents	\$ 11.20	\$ 12.08	\$ 13.46	\$ 12.65	\$ 13.24	\$ 12.91
Market rents	11.82	12.30	13.65	12.73	13.52	13.17
Change	5.5 %	1.8 %	1.4 %	0.6%	2.1%	2.0 %
Revenue impact <sup>(2)</sup>	\$ 768	\$ 565	\$ 466	\$ 245	\$ 3,193	\$ 5,237

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.

(2) This impact is based on the difference between the in-place rents and the market rents for the period in Canadian and US dollars. This excludes the impact of any straight-line rent adjustments on revenues.

Market rents at September 30, 2017 were estimated to be 0.7% above in-place rents across the portfolio, compared to 0.1% at June 30, 2017. Today's market rents for the 2017 and 2018 lease expiries are estimated to be 8.7% and 5.2% below in-place rents, respectively. The retail segment is expected to be the strongest contributor to incremental rental revenue over the long-term.

Market rents in certain years are estimated to be below in-place rents due to the impact of the Calgary office segment. Excluding the Calgary office segment, today's market rents for the 2017 and 2018 lease expiries are estimated to be 5.5% and 1.8% above in-place rents, respectively.

Lease Expiries by Geographical Region (in S.F.) <sup>(1)</sup>

	Current vacancy	Monthly tenants <sup>(2)</sup>	2017	2018	2019	2020	2021 & later	Total
AB - uncommitted	369,738	58,220	154,560	445,731	335,711	394,286	2,098,684	3,856,930
AB - committed	131,134	—	46,699	22,064	19,766	—	2,218	221,881
Total Alberta	500,872	58,220	201,259	467,795	355,477	394,286	2,100,902	4,078,811
BC - uncommitted	38,987	16,303	—	98,364	214,992	49,946	396,951	815,543
BC - committed	7,284	—	31,325	1,039	5,271	8,037	—	52,956
Total British Columbia	46,271	16,303	31,325	99,403	220,263	57,983	396,951	868,499
MB - uncommitted	161,865	17,423	82,683	400,457	348,833	455,688	1,615,691	3,082,640
MB - committed	79,971	—	241,599	272,771	7,454	19,685	2,102	623,582
Total Manitoba	241,836	17,423	324,282	673,228	356,287	475,373	1,617,793	3,706,222
ON - uncommitted	195,714	18,866	45,769	264,106	341,484	789,926	1,985,795	3,641,660
ON - committed	8,231	—	43,312	43,847	104,431	2,014	—	201,835
Total Ontario	203,945	18,866	89,081	307,953	445,915	791,940	1,985,795	3,843,495
SK - uncommitted	104,522	6,171	15,878	111,656	77,827	61,231	928,096	1,305,381
SK - committed	—	—	50,257	84,274	—	1,252	18,838	154,621
Total Saskatchewan	104,522	6,171	66,135	195,930	77,827	62,483	946,934	1,460,002
AZ - uncommitted	63,129	1,500	16,054	17,106	110,525	225,532	857,346	1,291,192
AZ - committed	37,686	—	106,418	—	20,582	—	—	164,686
Total Arizona	100,815	1,500	122,472	17,106	131,107	225,532	857,346	1,455,878
MN - uncommitted	446,862	49,635	100,468	594,724	746,250	812,442	3,164,412	5,914,793
MN - committed	13,185	—	333,542	39,822	—	26,462	62,350	475,361
Total Minnesota	460,047	49,635	434,010	634,546	746,250	838,904	3,226,762	6,390,154
WI - uncommitted	126,723	14,255	9,886	215,820	150,289	184,338	768,329	1,469,640
WI - committed	8,775	—	70,745	5,749	—	5,478	135,318	226,065
Total Wisconsin	135,498	14,255	80,631	221,569	150,289	189,816	903,647	1,695,705
U.S. - Other - uncommitted	55,018	1,342	2,770	151,331	162,874	42,212	319,886	735,433
U.S. - Other - committed	2,476	—	13,983	4,670	—	—	—	21,129
Total U.S. - Other	57,494	1,342	16,753	156,001	162,874	42,212	319,886	756,562
Total - uncommitted	1,562,558	183,715	428,068	2,299,295	2,488,785	3,015,601	12,135,190	22,113,212
Total - committed	288,742	—	937,880	474,236	157,504	62,928	220,826	2,142,116
Total portfolio	1,851,300	183,715	1,365,948	2,773,531	2,646,289	3,078,529	12,356,016	24,255,328

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.

(2) Includes holdovers and renewals where term has not been negotiated.

Market Rents by Geographical Region <sup>(1)</sup>

	2017		2018		2019		2020		2021 & later		Total	
Alberta												
In-place rents	\$	22.01	\$	23.73	\$	26.76	\$	17.42	\$	19.25	\$	20.56
Market rents		11.22		19.31		21.76		17.42		21.26		20.04
Change		(49.0)%		(18.6)%		(18.7)%		— %		10.4 %		(2.6)%
Revenue impact <sup>(2)</sup>	\$	(2,171)	\$	(2,071)	\$	(1,777)	\$	(1)	\$	4,213	\$	(1,807)
British Columbia												
In-place rents	\$	19.61	\$	21.85	\$	16.85	\$	18.28	\$	16.22	\$	17.37
Market rents		20.33		22.11		17.37		19.04		16.61		17.82
Change		3.7 %		1.2 %		3.1 %		4.1 %		2.4 %		2.6 %
Revenue impact <sup>(2)</sup>	\$	22	\$	25	\$	115	\$	44	\$	155	\$	361
Manitoba												
In-place rents	\$	14.91	\$	7.62	\$	8.43	\$	12.04	\$	14.71	\$	12.33
Market rents		15.50		8.18		8.75		12.40		14.40		12.43
Change		4.0 %		7.3 %		3.8 %		3.0 %		(2.1)%		0.8 %
Revenue impact <sup>(2)</sup>	\$	189	\$	377	\$	115	\$	167	\$	(495)	\$	353
Ontario												
In-place rents	\$	10.53	\$	9.49	\$	11.15	\$	9.28	\$	10.01	\$	9.96
Market rents		10.27		9.37		10.98		9.05		9.89		9.80
Change		(2.5)%		(1.3)%		(1.5)%		(2.5)%		(1.2)%		(1.6)%
Revenue impact <sup>(2)</sup>	\$	(23)	\$	(35)	\$	(75)	\$	(190)	\$	(250)	\$	(573)
Saskatchewan												
In-place rents	\$	14.50	\$	17.98	\$	22.02	\$	22.24	\$	14.75	\$	15.97
Market rents		14.52		17.61		20.84		23.08		14.89		15.99
Change		0.1 %		(2.1)%		(5.4)%		3.8 %		0.9 %		0.1 %
Revenue impact <sup>(2)</sup>	\$	1	\$	(73)	\$	(92)	\$	53	\$	132	\$	21
Arizona												
In-place rents	\$	12.62	\$	34.39	\$	25.36	\$	20.97	\$	18.77	\$	19.42
Market rents		15.61		34.50		28.21		22.80		20.10		21.11
Change		23.7 %		0.3 %		11.2 %		8.7 %		7.1 %		8.7 %
Revenue impact <sup>(2)</sup>	\$	366	\$	2	\$	373	\$	413	\$	1,138	\$	2,292
Minnesota												
In-place rents	\$	5.48	\$	6.82	\$	6.70	\$	9.50	\$	8.41	\$	7.96
Market rents		5.55		6.76		6.48		9.36		8.31		7.86
Change		1.3 %		(0.9)%		(3.3)%		(1.5)%		(1.2)%		(1.3)%
Revenue impact <sup>(2)</sup>	\$	31	\$	(37)	\$	(165)	\$	(113)	\$	(319)	\$	(603)
Wisconsin												
In-place rents	\$	15.50	\$	15.67	\$	15.39	\$	16.15	\$	14.04	\$	14.74
Market rents		16.22		15.29		15.88		15.84		15.59		15.64
Change		4.6 %		(2.4)%		3.2 %		(1.9)%		11.0 %		6.1 %
Revenue impact <sup>(2)</sup>	\$	58	\$	(85)	\$	74	\$	(58)	\$	1,400	\$	1,389
U.S. - Other												
In-place rents	\$	19.76	\$	15.88	\$	24.38	\$	22.24	\$	17.91	\$	19.28
Market rents		20.85		16.18		25.46		21.55		18.67		19.92
Change		5.5 %		1.9 %		4.4 %		(3.1)%		4.2 %		3.3 %
Revenue impact <sup>(2)</sup>	\$	18	\$	46	\$	175	\$	(29)	\$	241	\$	451
Total portfolio												
In-place rents	\$	12.65	\$	12.88	\$	14.18	\$	12.70	\$	13.45	\$	13.31
Market rents		11.55		12.21		13.71		12.79		13.95		13.40
Change		(8.7)%		(5.2)%		(3.3)%		0.7 %		3.7 %		0.7 %
Revenue impact <sup>(2)</sup>	\$	(1,509)	\$	(1,851)	\$	(1,257)	\$	286	\$	6,215	\$	1,884

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.

(2) This impact is based on the difference between the in-place rents and the market rents for the period in Canadian and US dollars. This excludes the impact of any straight-line rent adjustments on revenues.

Artis' real estate is diversified across five Canadian provinces and six U.S. states, and across the office, retail and industrial asset classes. At September 30, 2017, the five largest segments of the REIT's portfolio (by Property NOI) were Calgary office, Madison office, Twin Cities Area industrial, Twin Cities Area office and Winnipeg office.

The Calgary office segment represents 10.7% of the Q3-17 Property NOI and 8.1% of the overall portfolio by GLA. 41.6% of the total Calgary office GLA is located downtown, 28.1% is beltline and 30.3% is suburban. Overall direct vacancy in the Calgary office market, as reported by CBRE, was 16.4% at September 30, 2017, compared to 16.1% at June 30, 2017. At September 30, 2017, the Calgary office segment of Artis' portfolio was 78.5% occupied (excluding properties held for redevelopment), compared to 81.0% at June 30, 2017. During the remainder of 2017, 130,180 square feet comes up for renewal, which represents 0.5% of the total portfolio GLA. Of Artis' Calgary office GLA, 49.9% expires in 2021 or later (excluding properties held for redevelopment). Artis' largest 10 Calgary office tenants by GLA lease over half of Artis' Calgary office space with a weighted-average lease term of 4.8 years. The average size of Artis' Calgary office tenants is approximately 9,700 square feet.

*Lease Expiries for Calgary Office Segment (in S.F.)<sup>(1)</sup>:*

	Current vacancy	Monthly tenants <sup>(2)</sup>	2017	2018	2019	2020	2021 & later	Total
Downtown - uncommitted	238,006	9,993	111,067	79,062	83,834	9,692	178,817	710,471
Downtown - committed	36,762	—	—	9,401	—	—	—	46,163
Total downtown	274,768	9,993	111,067	88,463	83,834	9,692	178,817	756,634
Beltline - uncommitted	10,697	—	—	93,853	18,458	11,758	360,078	494,844
Beltline - committed	61,762	—	—	—	17,128	—	—	78,890
Total beltline	72,459	—	—	93,853	35,586	11,758	360,078	573,734
Suburban - uncommitted	55,028	3,083	11,361	26,621	35,176	28,802	432,747	592,818
Suburban - committed	16,379	—	7,752	638	—	—	—	24,769
Total suburban	71,407	3,083	19,113	27,259	35,176	28,802	432,747	617,587
Total - uncommitted	303,731	13,076	122,428	199,536	137,468	50,252	971,642	1,798,133
Total - committed	114,903	—	7,752	10,039	17,128	—	—	149,822
Total Calgary office	418,634	13,076	130,180	209,575	154,596	50,252	971,642	1,947,955

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.

(2) Includes holdovers and renewals where term has not been negotiated.

*Lease Expiries for the Office Segment excluding Calgary (in S.F.)<sup>(1)</sup>:*

	Current vacancy	Monthly tenants <sup>(2)</sup>	2017	2018	2019	2020	2021 & later	Total
Other - uncommitted	626,158	42,959	116,084	678,734	1,016,562	1,051,434	3,794,605	7,326,536
Other - committed	132,944	—	408,153	138,665	117,156	38,726	137,420	973,064
Total other office	759,102	42,959	524,237	817,399	1,133,718	1,090,160	3,932,025	8,299,600

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.

(2) Includes holdovers and renewals where term has not been negotiated.

*Market Rents for Calgary Office Segment <sup>(1)</sup>:*

The market rents reported in the below table are reflective of management's estimates for today's market rent rates. They do not allow for the impact of inflation. The Calgary office market rents for the next 24 months are revised on an on-going basis to reflect management's estimate of the impact of the recent decline in oil prices on the Calgary office market.

	2017	2018	2019	2020	2021 & later	Total
Downtown						
In-place rents	\$ 27.95	\$ 19.51	\$ 25.79	\$ 15.34	\$ 20.56	\$ 22.93
Market rents	8.27	9.76	15.13	19.94	21.72	15.10
Change	(70.4)%	(50.0)%	(41.3)%	30.0 %	5.6 %	(34.1)%
Revenue impact <sup>(2)</sup>	\$ (2,186)	\$ (863)	\$ (893)	\$ 45	\$ 206	\$ (3,691)
Beltline						
In-place rents	\$ —	\$ 26.85	\$ 34.06	\$ 18.50	\$ 14.09	\$ 18.00
Market rents	—	11.53	14.90	17.00	22.23	19.59
Change	— %	(57.1)%	(56.3)%	(8.1)%	57.8 %	8.8 %
Revenue impact <sup>(2)</sup>	\$ —	\$ (1,438)	\$ (682)	\$ (18)	\$ 2,932	\$ 794
Suburban						
In-place rents	\$ 17.62	\$ 18.00	\$ 17.19	\$ 15.21	\$ 15.48	\$ 15.78
Market rents	12.83	13.79	12.99	15.70	15.21	14.94
Change	(27.2)%	(23.4)%	(24.4)%	3.2 %	(1.7)%	(5.3)%
Revenue impact <sup>(2)</sup>	\$ (91)	\$ (115)	\$ (148)	\$ 14	\$ (116)	\$ (456)
Total Calgary Office						
In-place rents	\$ 26.43	\$ 22.60	\$ 25.74	\$ 16.01	\$ 15.90	\$ 18.74
Market rents	8.94	11.07	14.59	16.82	19.01	16.53
Change	(66.2)%	(51.0)%	(43.3)%	5.1 %	19.6 %	(11.8)%
Revenue impact <sup>(2)</sup>	\$ (2,277)	\$ (2,416)	\$ (1,723)	\$ 41	\$ 3,022	\$ (3,353)

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.

(2) This impact is based on the difference between the in-place rents and the market rents for the period. This excludes the impact of any straight-line rent adjustments on revenues.

*Market Rents for the Office Segment excluding Calgary <sup>(1)</sup>:*

	2017	2018	2019	2020	2021 & later	Total
Other office						
In-place rents	\$ 16.52	\$ 16.35	\$ 17.31	\$ 17.46	\$ 17.69	\$ 17.37
Market rents	17.58	16.64	17.82	17.48	18.09	17.77
Change	6.4%	1.8%	2.9%	0.1%	2.3%	2.3%
Revenue impact <sup>(2)</sup>	\$ 558	\$ 235	\$ 569	\$ 25	\$ 1,598	\$ 2,985

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.

(2) This impact is based on the difference between the in-place rents and the market rents for the period in Canadian and US dollars. This excludes the impact of any straight-line rent adjustments on revenues.

The Madison office segment represents 10.0% of the Q3-17 Property NOI and 6.7% of the overall portfolio by GLA. Overall direct vacancy in this office market, as most recently reported by Xceligent, was 7.5% at September 30, 2017, compared to 8.0% at June 30, 2017. At September 30, 2017, the Madison office segment of Artis' portfolio was 92.0% occupied, compared to 92.2% at June 30, 2017. During the remainder of 2017, 80,631 square feet comes up for renewal, which represents 0.3% of the total portfolio GLA; 87.7% was renewed or committed to new leases at September 30, 2017. Of the total Madison office GLA, 53.3% expires in 2021 or later.

The Twin Cities Area industrial segment represents 8.3% of the Q3-17 Property NOI and 18.7% of the overall portfolio by GLA. Direct vacancy in this industrial market, as reported by CBRE, decreased from 4.9% at June 30, 2017, to 4.2% at September 30, 2017, with 2,364,199 square feet of positive absorption reported for the quarter. The average asking market lease rate was \$6.07 per square foot at September 30, 2017, compared to \$5.96 per square foot at June 30, 2017. Occupancy in this segment of the portfolio was 93.0% at September 30, 2017, compared to 90.2% reported at June 30, 2017. During the remainder of 2017, 372,526 square feet comes up for renewal, which represents 1.5% of the total portfolio GLA; 77.1% was renewed or committed to new leases at September 30, 2017. Of Artis' total Twin Cities Area industrial GLA, 48.4% expires in 2021 or later.

The Twin Cities Area office segment represents 7.3% of the Q3-17 Property NOI and 5.3% of the overall portfolio by GLA. Overall direct vacancy in the Twin Cities Area office market, as reported by CBRE, was 16.8% at September 30, 2017, unchanged from June 30, 2017. Occupancy in this segment of the portfolio was 91.1% at September 30, 2017 (excluding completed new developments), compared to 90.6% at June 30, 2017. During the remainder of 2017, 44,376 square feet comes up for renewal, which represents 0.2% of the total portfolio GLA; 97.5% had been renewed or committed to new leases at September 30, 2017. Of Artis' total Twin Cities Area office GLA (excluding completed new developments), 56.7% expires in 2021 or later.

The Winnipeg office segment represents 7.3% of the Q3-17 Property NOI and 6.0% of the overall portfolio by GLA. Overall direct vacancy in the Winnipeg office market, as reported by Capital Commercial Real Estate Services, was 8.5% at September 30, 2017, compared to 7.7% at June 30, 2017. At September 30, 2017, the Winnipeg office segment of Artis' portfolio was 89.0% occupied (excluding properties held for redevelopment), compared to 90.2% at June 30, 2017. During the remainder of 2017, 197,496 square feet comes up for renewal, which represents 0.8% of the total portfolio GLA; 64.1% had been renewed or committed to new leases at September 30, 2017. Of Artis' Winnipeg office GLA, 49.3% expires in 2021 or later.

## CORPORATE EXPENSES

	Three months ended September 30,			%	Nine months ended September 30,			%
	2017	2016	Change	Change	2017	2016	Change	Change
Accounting, legal and consulting	\$ 455	\$ 631	\$ (176)	(27.9)%	\$ 1,859	\$ 1,834	\$ 25	1.4 %
Public company costs	375	297	78	26.3 %	1,177	1,284	(107)	(8.3)%
Unit-based compensation	651	319	332	104.1 %	1,798	1,750	48	2.7 %
Salaries and benefits	911	952	(41)	(4.3)%	2,779	2,885	(106)	(3.7)%
Depreciation of property and equipment	211	212	(1)	(0.5)%	676	644	32	5.0 %
General and administrative	731	518	213	41.1 %	2,157	1,691	466	27.6 %
Total corporate expenses	\$ 3,334	\$ 2,929	\$ 405	13.8 %	\$ 10,446	\$ 10,088	\$ 358	3.5 %

Corporate expenses in Q3-17 were \$3,334 (YTD - \$10,446), or 2.5% (YTD - 2.5%) of total revenues compared to \$2,929 (YTD - \$10,088), or 2.0% (YTD - 2.4%) of total revenues in Q3-16.

## INTEREST EXPENSE

	Three months ended September 30,			%	Nine months ended September 30,			%
	2017	2016	Change	Change	2017	2016	Change	Change
Mortgages and other loans <sup>(1)</sup>	\$ 17,044	\$ 20,385	\$ (3,341)		\$ 54,549	\$ 61,180	\$ (6,631)	
Debentures <sup>(1)</sup>	1,905	3,392	(1,487)		6,405	12,098	(5,693)	
Credit facilities <sup>(1)</sup>	4,920	2,567	2,353		10,042	5,543	4,499	
Preferred shares <sup>(1)</sup>	34	21	13		102	63	39	
	23,903	26,365	(2,462)	(9.3)%	71,098	78,884	(7,786)	(9.9)%
Foreign exchange	1,865	2,156	(291)		6,533	6,270	263	
Total interest expense	\$ 25,768	\$ 28,521	\$ (2,753)	(9.7)%	\$ 77,631	\$ 85,154	\$ (7,523)	(8.8)%

(1) Amounts shown are in Canadian and US dollars.

Interest expense on mortgages and other loans has decreased primarily due to the repayment of maturing mortgages and the disposition of investment properties in 2016 and 2017. Interest expense on debentures has decreased due to the redemption of the Series F convertible debentures in Q3-16 and the redemption of the Series G convertible debentures in Q1-17. Interest expense on credit facilities has increased primarily due to the new non-revolving term credit facilities drawn in Q3-17. Financing costs on mortgages and other loans, debentures and the non-revolving credit facilities are netted against the related debt, and amortized on an effective interest basis over the expected term of the debt.

The REIT's weighted-average effective rate at September 30, 2017, on mortgages and other loans secured by properties was 3.86%, increased from 3.74% at December 31, 2016. The weighted-average nominal interest rate on mortgages and other loans secured by properties at September 30, 2017, increased to 3.70% from 3.69% at December 31, 2016.

The REIT's interest coverage ratio, as calculated in the following table, was 3.04 (YTD - 3.06) for Q3-17, compared to 3.13 (YTD - 2.98) for Q3-16.

	Three months ended September 30, 2017				Nine months ended September 30, 2017			
	2017	2016	Change	% Change	2017	2016	Change	% Change
Property NOI	\$ 81,261	\$ 91,855	\$ (10,594)		\$ 246,931	\$ 262,768	\$ (15,837)	
Interest income	302	298	4		846	928	(82)	
Corporate expenses	(3,334)	(2,929)	(405)		(10,446)	(10,088)	(358)	
	78,229	89,224	(10,995)	(12.3)%	237,331	253,608	(16,277)	(6.4)%
Interest expense	\$ 25,768	\$ 28,521	\$ (2,753)	(9.7)%	\$ 77,631	\$ 85,154	\$ (7,523)	(8.8)%
Interest coverage ratio	3.04	3.13	(0.09)	(2.9)%	3.06	2.98	0.08	2.7 %

The REIT's EBITDA interest coverage ratio, as calculated in the following table, was 3.23 (YTD - 3.24) for Q3-17, compared to 3.24 (YTD - 3.10) for Q3-16.

	Three months ended September 30, 2017				Nine months ended September 30, 2017			
	2017	2016	Change	% Change	2017	2016	Change	% Change
Property NOI	\$ 81,261	\$ 91,855	\$ (10,594)		\$ 246,931	\$ 262,768	\$ (15,837)	
Add (deduct):								
Amortization of tenant inducements	4,689	4,456	233		13,848	12,879	969	
Straight-line rent adjustments	(1,954)	(1,979)	25		(5,488)	(4,451)	(1,037)	
Interest income	302	298	4		846	928	(82)	
Corporate expenses	(3,334)	(2,929)	(405)		(10,446)	(10,088)	(358)	
Depreciation of property and equipment	211	212	(1)		676	644	32	
EBITDA	81,175	91,913	(10,738)	(11.7)%	246,367	262,680	(16,313)	(6.2)%
Interest expense	25,768	28,521	(2,753)		77,631	85,154	(7,523)	
Add (deduct):								
Amortization of financing costs	(949)	(928)	(21)		(2,845)	(2,560)	(285)	
Amortization of above- and below-market mortgages, net	283	515	(232)		899	1,610	(711)	
Accretion on liability component of debentures	52	224	(172)		279	610	(331)	
Adjusted interest expense	\$ 25,154	\$ 28,332	\$ (3,178)	(11.2)%	\$ 75,964	\$ 84,814	\$ (8,850)	(10.4)%
EBITDA interest coverage ratio	3.23	3.24	(0.01)	(0.3)%	3.24	3.10	0.14	4.5 %

#### FAIR VALUE GAIN (LOSS) ON INVESTMENT PROPERTIES

The changes in fair value of investment properties, period-over-period, are recognized as fair value gains and losses in the consolidated statement of operations. Fair values of the investment properties are determined through either the discounted cash flow method or the overall capitalization method which are generally accepted appraisal methodologies. External valuations are performed for a selection of properties representing various geographical regions and asset classes across the REIT's portfolio. In Q3-17, the fair value gain on investment properties was \$8,309 (YTD - gain of \$9,269), compared to a gain of \$20,201 (YTD - loss of \$16,560) in Q3-16. Fair value changes in individual properties result from changes in the projected income and cash flow projections of those properties, as well as from changes in capitalization rates and discount rates applied. The fair value gain in Q3-17 primarily reflects capitalization rate compression in the Toronto industrial market.



**FOREIGN CURRENCY TRANSLATION (LOSS) GAIN**

In Q3-17, Artis held cash, deposits and a portion of its revolving term credit facilities in US dollars. These assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. This translation resulted in a foreign currency translation loss of \$3,542 (YTD - gain of \$2,877), compared to a gain of \$206 (YTD - gain of \$2,350) in Q3-16.

**GAIN (LOSS) ON FINANCIAL INSTRUMENTS**

Artis holds a number of interest rate swaps to effectively lock the interest rate on a portion of variable rate debt. The REIT recorded an unrealized gain on the fair value adjustment of the interest rate swaps outstanding of \$4,644 (YTD - gain of \$7,465) in Q3-17, compared to an unrealized gain of \$699 (YTD - loss of \$4,228) in Q3-16. The REIT anticipates holding the mortgages, non-revolving term credit facilities and related interest rate swap contracts until maturity.

Artis recorded an unrealized gain of \$3,587 (YTD - gain of \$331) in Q3-17 on the fair value of outstanding foreign currency swap contracts, compared to an unrealized loss of \$3,997 (YTD - loss of \$1,952) in Q3-16.

**INCOME TAX**

The REIT currently qualifies as a mutual fund trust and a real estate investment trust for Canadian income tax purposes. Under current tax legislation, income distributed annually by the REIT to unitholders is a deduction in the calculation of its taxable income. As the REIT intends to distribute all of its taxable income to its unitholders, the REIT does not record a provision for current Canadian income taxes.

The REIT's U.S. properties are owned by subsidiaries that are REITs for U.S. income tax purposes. These subsidiaries intend to distribute all of their U.S. taxable income to Canada and are entitled to deduct such distributions for U.S. income tax purposes. As a result, the REIT does not record a provision for current federal U.S. income taxes on the taxable income earned by these subsidiaries. These U.S. subsidiaries are subject to certain state taxes and a 30% to 35% withholding tax on distributions to Canada. Any withholding taxes paid are recorded with the related distributions.

The REIT is subject to federal and state taxation in the U.S. on the taxable income earned by its U.S. management subsidiary.

**OTHER COMPREHENSIVE (LOSS) INCOME**

Other comprehensive (loss) income includes the unrealized foreign currency translation loss in Q3-17 of \$44,755 (YTD - loss of \$84,917), compared to a gain of \$9,877 (YTD - loss of \$46,581) in Q3-16. Foreign currency translation gains and losses relate to the REIT's net investments in its U.S. subsidiaries.

## FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

Artis calculates FFO and AFFO substantially in accordance with the guidelines set out by REALpac, as issued in February 2017. The comparative periods presented for FFO and AFFO have been revised to comply with these new guidelines. Revisions to AFFO included adjustments to the capital expenditures and leasing costs reserves, as well as removing the add back of unit-based compensation expense.

### Reconciliation of Net Income to FFO and AFFO

000's, except per unit amounts	Three months ended September 30,		%	Three months ended September 2016 <sup>(1)</sup>	Nine months ended September 30,		%	Nine months ended September 2016 <sup>(1)</sup>
	2017	2016	Change		2017	2016	Change	
Net income	\$ 64,803	\$ 76,876		\$ 76,876	\$ 180,372	\$ 146,227		\$ 146,227
Add (deduct):								
Fair value (gain) loss on investment properties	(8,309)	(20,201)		(20,201)	(9,269)	16,560		16,560
Amortization of tenant inducements	4,689	4,456		4,456	13,848	12,879		12,879
Transaction costs on acquisitions	567	195		195	567	1,096		1,096
Foreign currency translation loss (gain)	3,542	(206)		(206)	(2,877)	(2,350)		(2,350)
(Gain) loss on financial instruments	(8,231)	4,039		4,039	(8,841)	6,921		6,921
Remeasurement component of unit-based compensation	76	(294)		—	181	(133)		—
Distributions on preferred shares treated as interest expense	43	28		—	134	83		—
Incremental leasing costs	1,058	806		806	2,645	1,976		1,976
Preferred unit distributions	(4,548)	(4,611)		(4,611)	(13,775)	(13,791)		(13,791)
<b>FFO</b>	<b>\$ 53,690</b>	<b>\$ 61,088</b>	<b>(12.1)%</b>	<b>\$ 61,354</b>	<b>\$ 162,985</b>	<b>\$ 169,468</b>	<b>(3.8)%</b>	<b>\$ 169,518</b>
Add (deduct):								
Amortization of recoverable capital expenditures	\$ (2,196)	\$ (2,331)		\$ —	\$ (6,623)	\$ (6,488)		\$ —
Non-recoverable property maintenance reserve	(950)	(650)		(1,489)	(2,300)	(1,950)		(4,267)
Leasing costs reserve	(10,000)	(9,500)		(9,680)	(29,100)	(28,500)		(23,572)
Straight-line rent adjustments	(1,954)	(1,979)		(1,979)	(5,488)	(4,451)		(4,451)
Unit-based compensation	—	—		319	—	—		1,750
<b>AFFO</b>	<b>\$ 38,590</b>	<b>\$ 46,628</b>	<b>(17.2)%</b>	<b>\$ 48,525</b>	<b>\$ 119,474</b>	<b>\$ 128,079</b>	<b>(6.7)%</b>	<b>\$ 138,978</b>
FFO per unit:								
Basic	\$ 0.36	\$ 0.41		\$ 0.41	\$ 1.08	\$ 1.18		\$ 1.18
Diluted	0.36	0.41		0.41	1.08	1.17		1.17
AFFO per unit:								
Basic	\$ 0.26	\$ 0.31		\$ 0.33	\$ 0.79	\$ 0.89		\$ 0.97
Diluted	0.26	0.31		0.32	0.79	0.89		0.97

(1) This column shows FFO and AFFO as previously disclosed for Q3-16.

Actual capital expenditures are by nature variable and unpredictable. Recoverable capital expenditures are building improvement or property maintenance expenditures recovered from tenants over time. Management has deducted from AFFO the actual amortization of recoverable capital expenditures included in property operating expenses charged to tenants for the period. Approximately 84.0% of this amortization (YTD - 83.1%) is recoverable from tenants in Q3-17, compared to 85.1% in Q3-16 (YTD - 85.2%). The non-recoverable property maintenance reserve reflects management's estimate of a normalized expenditure using the 2016 and 2017 actual expenditures and the 2017 and 2018 annual budgeted expenditures. Refer to the capital expenditures disclosure under the Assets section of this MD&A for further discussion of actual expenditures for the period.

Actual leasing costs, which are not related to (re)development projects and include tenant improvements that are not capital in nature, tenant allowances and commissions, are also variable in nature. Leasing costs will fluctuate depending on the square footage of leases rolling over, in-place rates at expiry, tenant retention and local market conditions in a given year. The leasing costs reserve applied in the calculation of AFFO reflects a rolling five-year average of actual leasing costs.

In Q3-17, FFO and AFFO were impacted by acquisitions, dispositions, completed (re)developments, lease termination income and the impact of foreign exchange in 2016 and 2017.

As a result of units issued under the DRIP and units issued from public offerings, basic units outstanding for the calculation of FFO and AFFO has increased. This increase has diluted the impact of growth in FFO and AFFO on per unit results.

The following is a reconciliation of the weighted-average number of basic common units to diluted common units and FFO to diluted FFO:

Diluted Common Units Reconciliation (in 000's)			Diluted FFO Reconciliation		
	Three months ended September 30,			Three months ended September 30,	
	2017	2016		2017	2016
Basic units	150,593	149,227	FFO	\$ 53,690	\$ 61,088
Add:			Add:		
Debentures <sup>(1)</sup>	—	4,641	Debentures <sup>(1)</sup>	—	1,472
Restricted units <sup>(1)</sup>	372	423	Restricted units <sup>(1)</sup>	—	—
Deferred units <sup>(1)</sup>	70	35	Deferred units <sup>(1)</sup>	—	—
Diluted units	151,035	154,326	Diluted FFO	\$ 53,690	\$ 62,560

(1) Restricted and deferred units were dilutive in Q3-17. All convertible debenture series, restricted units and deferred units were dilutive in Q3-16.

Diluted Common Units Reconciliation (in 000's)			Diluted FFO Reconciliation		
	Nine months ended September 30,			Nine months ended September 30,	
	2017	2016		2017	2016
Basic units	150,573	143,233	FFO	\$ 162,985	\$ 169,468
Add:			Add:		
Debentures <sup>(1)</sup>	—	4,641	Debentures <sup>(1)</sup>	—	4,443
Restricted units <sup>(1)</sup>	332	379	Restricted units <sup>(1)</sup>	—	—
Deferred units <sup>(1)</sup>	62	28	Deferred units <sup>(1)</sup>	—	—
Diluted units	150,967	148,281	Diluted FFO	\$ 162,985	\$ 173,911

(1) Restricted units and deferred units were dilutive in 2017. All convertible debenture series, restricted units and deferred units were dilutive in 2016.

## ANALYSIS OF FINANCIAL POSITION

The following provides a reconciliation of the consolidated balance sheets as prepared in accordance with IFRS in the REIT's consolidated financial statements to its Proportionate Share.

September 30, 2017				December 31, 2016			
	Per consolidated financial statements	Adjustment <sup>(1)</sup>	Total Proportionate Share	Per consolidated financial statements	Adjustment <sup>(1)</sup>	Total Proportionate Share	
<b>ASSETS</b>							
Non-current assets:							
Investment properties	\$ 4,716,929	\$ 352,719	\$ 5,069,648	\$ 4,991,825	\$ 284,249	\$ 5,276,074	
Investment properties under development	73,631	—	73,631	65,199	92,305	157,504	
Investments in joint ventures	196,024	(196,024)	—	213,565	(213,565)	—	
Property and equipment	5,553	—	5,553	3,351	—	3,351	
Notes receivable	11,359	—	11,359	12,972	—	12,972	
	5,003,496	156,695	5,160,191	5,286,912	162,989	5,449,901	
Current assets:							
Investment properties held for sale	118,912	—	118,912	119,178	—	119,178	
Deposits on investment properties	967	—	967	369	—	369	
Prepaid expenses and other assets	15,405	381	15,786	11,728	292	12,020	
Notes receivable	2,172	—	2,172	2,815	—	2,815	
Accounts receivable and other receivables	15,196	712	15,908	13,173	559	13,732	
Cash held in trust	9,391	—	9,391	7,851	—	7,851	
Cash	48,479	6,842	55,321	50,729	8,312	59,041	
	210,522	7,935	218,457	205,843	9,163	215,006	
	\$ 5,214,018	\$ 164,630	\$ 5,378,648	\$ 5,492,755	\$ 172,152	\$ 5,664,907	
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>							
Non-current liabilities:							
Mortgages and loans payable	\$ 1,266,033	\$ 152,412	\$ 1,418,445	\$ 1,520,124	\$ 117,804	\$ 1,637,928	
Senior unsecured debentures	199,824	—	199,824	199,740	—	199,740	
Convertible debentures	—	—	—	119,358	—	119,358	
Credit facilities	298,861	—	298,861	—	—	—	
Other long-term liabilities	6,076	—	6,076	4,997	—	4,997	
	1,770,794	152,412	1,923,206	1,844,219	117,804	1,962,023	
Current liabilities:							
Mortgages and loans payable	370,575	4,553	375,128	627,838	34,709	662,547	
Security deposits and prepaid rent	32,744	2,432	35,176	35,213	2,094	37,307	
Accounts payable and other liabilities	78,453	5,233	83,686	88,439	17,545	105,984	
Credit facilities	374,714	—	374,714	269,680	—	269,680	
	856,486	12,218	868,704	1,021,170	54,348	1,075,518	
	2,627,280	164,630	2,791,910	2,865,389	172,152	3,037,541	
Unitholders' equity	2,586,738	—	2,586,738	2,627,366	—	2,627,366	
	\$ 5,214,018	\$ 164,630	\$ 5,378,648	\$ 5,492,755	\$ 172,152	\$ 5,664,907	

(1) Adjustment to reflect investments in joint ventures on a Proportionate Share basis.

**ASSETS**

	September 30, 2017	December 31, 2016	Change
Non-current assets:			
Investment properties and investment properties under development	\$ 5,143,279	\$ 5,433,578	\$ (290,299)
Other non-current assets	16,912	16,323	589
Current assets:			
Investment properties held for sale	118,912	119,178	(266)
Other current assets	34,833	28,936	5,897
Cash and cash held in trust	64,712	66,892	(2,180)
	\$ 5,378,648	\$ 5,664,907	\$ (286,259)

**Investment Properties, Investment Properties Under Development and Investment Properties Held for Sale**

The change in investment properties, investment properties under development and investment properties held for sale is a result of the following:

	Investment properties	Investment properties under development	Investment properties held for sale	Total
Balance, December 31, 2016	\$ 5,276,074	\$ 157,504	\$ 119,178	\$ 5,552,756
Additions:				
Capital expenditures	19,555	48,183	—	67,738
Capitalized interest	—	323	—	323
Leasing commissions	7,648	547	—	8,195
Dispositions	(37,802)	—	(118,084)	(155,886)
Reclassification of investment properties under development	136,560	(136,560)	—	—
Reclassification of investment properties held for sale	(139,248)	—	139,248	—
Foreign currency translation loss	(69,565)	(4,508)	—	(74,073)
Straight-line rent adjustments	3,550	2	(18)	3,534
Tenant inducement additions, net of amortization	12,829	4,389	(18)	17,200
Fair value gain (loss)	1,752	266	(1,058)	960
Balance, June 30, 2017	5,211,353	70,146	139,248	5,420,747
Additions:				
Acquisitions	19,130	414	—	19,544
Capital expenditures	13,770	12,037	600	26,407
Capitalized interest	—	67	—	67
Leasing commissions	3,293	35	160	3,488
Dispositions	(96,549)	—	(50,950)	(147,499)
Reclassification of investment properties under development	6,738	(6,738)	—	—
Reclassification of investment properties held for sale	(30,964)	—	30,964	—
Foreign currency translation loss	(76,550)	(2,272)	(3,455)	(82,277)
Straight-line rent adjustments	1,938	—	16	1,954
Tenant inducement additions, net of amortization	11,096	—	355	11,451
Fair value gain (loss)	6,393	(58)	1,974	8,309
Balance, September 30, 2017	\$ 5,069,648	\$ 73,631	\$ 118,912	\$ 5,262,191

**Acquisitions:**

The results of operations for the acquired properties are included in the REIT's accounts from the date of acquisition. Artis funded these acquisitions from cash on hand and from the proceeds of new or assumed mortgage financing.

	Three months ended September 30, 2017				Nine months ended September 30, 2017			
	2016	Change	% Change		2016	Change	% Change	
Cash consideration	\$ 16,707	\$ 44,969	\$ (28,262)		\$ 16,707	\$ 160,090	\$ (143,383)	
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	2,962	51,878	(48,916)		2,962	189,132	(186,170)	
Other net assets	(125)	326	(451)		(125)	326	(451)	
Total acquisitions	\$ 19,544	\$ 97,173	\$ (77,629)	(79.9)%	\$ 19,544	\$ 349,548	\$ (330,004)	(94.4)%

**Capital expenditures:**

Building improvements are capital expenditures that increase the long-term value or revenue generating potential of the property. These expenditures include costs to modernize or upgrade existing properties. Property maintenance costs are capital expenditures to repair or replace components of existing properties such as roofs, HVAC units and parking lots.

In Q3-17, non-recoverable building improvements primarily consist of exterior and interior upgrades, including \$3,494 for the 360 Main curtain wall renewal.

	Three months ended September 30, 2017				Nine months ended September 30, 2017			
	2016	Change	% Change		2016	Change	% Change	
New and (re)development expenditures	\$ 12,037	\$ 17,464	\$ (5,427)		\$ 60,220	\$ 41,829	\$ 18,391	
Building improvements expenditures:								
Recoverable from tenants	1,474	2,769	(1,295)		4,835	10,259	(5,424)	
Non-recoverable	7,486	10,518	(3,032)		19,293	27,140	(7,847)	
Property maintenance expenditures:								
Recoverable from tenants	4,131	3,144	987		6,941	7,001	(60)	
Non-recoverable	1,279	770	509		2,856	1,214	1,642	
Total capital expenditures	\$ 26,407	\$ 34,665	\$ (8,258)	(23.8)%	\$ 94,145	\$ 87,443	\$ 6,702	7.7%

**Leasing costs:**

Tenant inducements consist of costs incurred to improve the space that primarily benefit the tenant, as well as allowances paid to tenants. Leasing commissions are fees primarily paid to brokers.

	Three months ended September 30, 2017				Nine months ended September 30, 2017			
	2016	Change	% Change		2016	Change	% Change	
Investment property leasing costs:								
Tenant inducements	\$ 15,184	\$ 15,458	\$ (274)		\$ 29,855	\$ 31,113	\$ (1,258)	
Leasing commissions	2,568	4,130	(1,562)		8,901	10,943	(2,042)	
Investment property (re)development related leasing costs:								
Tenant inducements	956	578	378		12,644	5,600	7,044	
Leasing commissions	920	336	584		2,782	1,077	1,705	
Total leasing costs	\$ 19,628	\$ 20,502	\$ (874)	(4.3)%	\$ 54,182	\$ 48,733	\$ 5,449	11.2%

*Dispositions:*

During Q3-17, Artis sold three office properties, one retail property and one industrial property in Alberta and one industrial property in Ontario for an aggregate sale price of \$150,900. The aggregate sale proceeds, net of costs of \$3,188 and related debt of \$85,414, were \$62,298.

*Investment properties held for sale:*

At September 30, 2017, the REIT had two office properties and seven industrial properties with an aggregate fair value of \$118,912 classified as held for sale. These properties were either listed for sale with an external broker or held under unconditional sale agreements.

*Foreign currency translation loss on investment properties:*

In Q3-17, the foreign currency translation loss on investment properties was \$82,277 (YTD - loss of \$156,350) due to the change in the period end US dollar to Canadian dollar exchange rate from 1.2977 at June 30, 2017, to 1.2480 at September 30, 2017.

*Fair value gain (loss) on investment properties:*

In Q3-17, the REIT recorded a gain on the fair value of investment properties of \$8,309 (YTD - gain of \$9,269), compared to a gain of \$20,201 (YTD - loss of \$16,560) in Q3-16. The fair value gain in Q3-17 primarily reflects capitalization rate compression in the Toronto industrial market.

Artis determines the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method, which are generally accepted appraisal methodologies. Capitalization rates are estimated using market surveys, available appraisals and market comparables. Under the overall capitalization method, year one income is stabilized and capitalized at a rate deemed appropriate for each investment property. Individual properties were valued using capitalization rates in the range of 4.25% to 8.75%. Additional information on the average capitalization rates and ranges used for the portfolio properties, assuming all properties were valued using an overall capitalization method, broken out by asset class and country are set out in the table below.

	September 30, 2017			December 31, 2016		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Office:						
Canada	8.75%	5.00%	6.45%	8.75%	5.00%	6.60%
U.S.	8.25%	5.50%	6.83%	8.25%	5.50%	6.79%
Total office	8.75%	5.00%	6.61%	8.75%	5.00%	6.68%
Retail:						
Canada	8.50%	5.25%	6.44%	8.50%	5.25%	6.38%
U.S.	8.50%	5.75%	6.86%	8.50%	5.75%	6.87%
Total retail	8.50%	5.25%	6.47%	8.50%	5.25%	6.41%
Industrial:						
Canada	7.75%	4.25%	6.24%	7.75%	4.50%	6.41%
U.S.	8.25%	5.75%	6.69%	7.75%	5.75%	6.89%
Total industrial	8.25%	4.25%	6.41%	7.75%	4.50%	6.58%
Total:						
Canadian portfolio	8.75%	4.25%	6.40%	8.75%	4.50%	6.49%
U.S. portfolio	8.50%	5.50%	6.79%	8.50%	5.50%	6.82%
Total portfolio	8.75%	4.25%	6.53%	8.75%	4.50%	6.59%

## Notes Receivable

In conjunction with the 2007 acquisition of TransAlta Place, the REIT acquired a note receivable in the amount of \$31,000. The note bears interest at 5.89% per annum and is repayable in varying blended monthly installments of principal and interest. The note is transferable at the option of the REIT and matures in May 2023. The balance outstanding on all notes receivable at September 30, 2017 was \$13,531, compared to \$15,787 at December 31, 2016.

## Cash

At September 30, 2017, the REIT had \$55,321 of cash on hand, compared to \$59,041 at December 31, 2016. The balance is anticipated to be invested in investment properties in subsequent periods, used for working capital purposes or for debt repayment. All of the REIT's cash is held in current accounts.

## LIABILITIES

	September 30, 2017	December 31, 2016	Change
Non-current liabilities:			
Mortgages and loans payable	\$ 1,418,445	\$ 1,637,928	\$ (219,483)
Senior unsecured debentures	199,824	199,740	84
Convertible debentures	—	119,358	(119,358)
Credit facilities	298,861	—	298,861
Other non-current liabilities	6,076	4,997	1,079
Current liabilities:			
Mortgages and loans payable	375,128	662,547	(287,419)
Other current liabilities	118,862	143,291	(24,429)
Credit facilities	374,714	269,680	105,034
	\$ 2,791,910	\$ 3,037,541	\$ (245,631)

Under the terms of the REIT's Declaration of Trust, the total indebtedness of the REIT (excluding indebtedness related to the convertible debentures) is limited to 70% of GBV.

Artis' secured mortgages and loans to GBV ratio at September 30, 2017 was 33.3%, compared to 40.6% at December 31, 2016.

	September 30, 2017	December 31, 2016	Change
GBV	\$ 5,382,732	\$ 5,668,337	\$ (285,605)
Secured mortgages and loans	1,793,573	2,300,475	(506,902)
Secured mortgages and loans to GBV	33.3%	40.6%	(7.3)%
Preferred shares liability	\$ 598	\$ 599	\$ (1)
Carrying value of debentures	199,824	319,098	(119,274)
Credit facilities	673,575	269,680	403,895
Total long-term debt and credit facilities	\$ 2,667,570	\$ 2,889,852	\$ (222,282)
Total long-term debt and credit facilities to GBV	49.6%	51.0%	(1.4)%



Artis' total long-term debt and credit facilities to EBITDA ratio at September 30, 2017 was 8.2, compared to 8.4 at December 31, 2016.

	September 30, 2017	December 31, 2016	Change
Total long-term debt and credit facilities	\$ 2,667,570	\$ 2,889,852	\$ (222,282)
EBITDA <sup>(1)</sup>	324,700	345,376	(20,676)
Total long-term debt and credit facilities to EBITDA	8.2	8.4	(0.2)

(1) EBITDA, as calculated under the Interest Expense section of this MD&A, has been annualized for purposes of this ratio calculation.

Artis' unencumbered assets to unsecured debt ratio was 1.8 at September 30, 2017, compared to 2.1 at December 31, 2016.

	September 30, 2017	December 31, 2016	Change
Unencumbered assets	\$ 1,609,404	\$ 998,770	\$ 610,634
Senior unsecured debentures	199,824	199,740	84
Unsecured credit facilities	673,575	269,680	403,895
Total unsecured debt	\$ 873,399	\$ 469,420	\$ 403,979
Unencumbered assets to unsecured debt	1.8	2.1	(0.3)

## Mortgages and Loans Payable

### Mortgage financing:

Artis finances acquisitions and development projects in part through the arrangement or assumption of mortgage financing and consequently, the majority of the REIT's investment properties are pledged as security under mortgages and other loans. In Q3-17, \$13,400 (YTD - \$44,424) of principal repayments were made compared to \$15,791 in Q3-16 (YTD - \$45,831).

In Q3-17, Artis repaid eight maturing mortgages in the aggregate amount of \$269,417. Artis received new financing on one property, net of financing costs, in the amount of \$34,641. In Q3-17, Artis drew on development loans, net of financing costs, in the amount of \$11,322.

The weighted-average term to maturity on all mortgages and loans payable at September 30, 2017 was 3.9 years, increased from 3.8 years at December 31, 2016.

### Unhedged variable rate mortgage debt:

Management believes that holding a percentage of variable rate debt is prudent in managing a portfolio of debt and provides the benefit of lower interest rates, while keeping the overall risk at a moderate level. All of the REIT's variable rate mortgage debt is term debt and cannot be called on demand. The REIT has the ability to refinance, or use interest rate swaps, at any given point without incurring penalties.

At September 30, 2017, the REIT was a party to \$498,652 of unhedged variable rate mortgage debt, compared to \$550,545 at December 31, 2016. The decrease is primarily due to hedging a variable rate mortgage in the amount of \$51,421 with an interest rate swap, the repayment of three maturing mortgages of \$43,861, mortgage repayments of \$8,604 and the impact of foreign exchange of \$29,193. The decrease has been partially offset by draws on construction loans of \$46,113 and a new mortgage of \$35,073. The unhedged variable rate mortgage debt is 18.7% of total debt including credit facilities at September 30, 2017, compared to 19.0% at December 31, 2016.

### Senior Unsecured Debentures

Artis had one series of senior unsecured debentures outstanding, as follows:

September 30, 2017						December 31, 2016	
Issued	Maturity	Interest rate	Carrying value	Face value		Carrying value	Face value
Series A	27-Mar-14 10-Sept-14	27-Mar-19	3.753%	\$ 199,824	\$ 200,000	\$ 199,740	\$ 200,000

### Convertible Debentures

Artis had no convertible debentures outstanding at September 30, 2017. On February 28, 2017, the REIT exercised its early redemption option and repaid the outstanding face value of the Series G convertible debentures in the amount of US\$87,975.

September 30, 2017						December 31, 2016	
Issued	Maturity	Interest rate	Carrying value	Face value		Carrying value	Face value
Series G	21-Apr-11	30-June-18	5.75%	\$ —	\$ —	\$ 119,358	\$ 118,158

### Credit Facilities

The REIT has unsecured revolving term credit facilities in the aggregate amount of \$500,000. The first tranche of the credit facilities in the amount of \$300,000 matures on December 15, 2018. The second tranche of the credit facilities matures on April 29, 2021. The REIT can draw on the facilities in Canadian or US dollars. Amounts drawn on the facilities in Canadian dollars bear interest at the bankers' acceptance rate plus 1.70% or at prime plus 0.70%. Amounts drawn on the facilities in US dollars bear interest at LIBOR plus 1.70% or at the U.S. base rate plus 0.70%. At September 30, 2017, there was \$374,714 drawn on these facilities (December 31, 2016, \$269,680).

The REIT entered into an unsecured non-revolving term credit facility on June 30, 2017 in the amount of \$150,000, which matures on July 6, 2022. In Q3-17, the facility was fully drawn and the REIT entered into an interest rate swap to effectively lock the interest rate on this facility at 3.57%.

The REIT entered into a second new unsecured non-revolving term credit facility on July 18, 2017 for \$150,000 and drew the full balance. The REIT also entered into an interest rate swap to effectively lock the interest rate on this facility at 3.50%.

### Other Current Liabilities

Included in other current liabilities were accounts payable and other liabilities and security deposits and prepaid rent. Included in accounts payable and other liabilities was accrued distributions payable to unitholders of \$14,216, which was paid subsequent to the end of the period.

### UNITHOLDERS' EQUITY

Unitholders' equity decreased overall by \$40,628 between December 31, 2016 and September 30, 2017. The decrease was primarily due to distributions made to unitholders of \$139,229 and an unrealized foreign currency translation loss included in other comprehensive loss of \$84,917. This decrease was partially offset by net income of \$180,372 and the issuance of new units for \$3,224.

### Net Asset Value

In Q2-17, Artis started disclosing a NAV calculation as a non-GAAP measure in its MD&A. Management considers this metric to be a valuable measure of the REIT's residual equity available to its common unitholders.

Artis' NAV per unit at September 30, 2017 was \$14.74 compared to \$15.00 at December 31, 2016.

000's, except unit and per unit amounts	September 30, 2017	December 31, 2016	Change
Unitholders' equity	\$ 2,586,738	\$ 2,627,366	\$ (40,628)
Less value of preferred equity <sup>(1)</sup>	(359,850)	(366,953)	7,103
NAV attributable to common unitholders	\$ 2,226,888	\$ 2,260,413	\$ (33,525)
Total number of dilutive units outstanding:			
Common units	150,593,232	150,333,077	260,155
Restricted units	372,059	359,819	12,240
Deferred units	70,060	43,250	26,810
	151,035,351	150,736,146	299,205
NAV per unit	\$ 14.74	\$ 15.00	\$ (0.26)

(1) The value of preferred equity is calculated using the outstanding face value in Canadian dollars of preferred units at the end of the period.

## LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operations represents the primary source of funds for distributions to unitholders and principal repayments on mortgages and loans.

### DISTRIBUTIONS

The Trustees determine the level of cash distributions based on the level of cash flow from operations before working capital changes, less actual and planned capital expenditures. During the year, distributions are based on estimates of full year cash flow and capital spending; thus, distributions may be adjusted as these estimates change. It is expected that normal seasonal fluctuations in working capital will be funded from cash resources.

The following amounts are presented consistent with Artis' consolidated financial statements:

	Three months ended September 30, 2017	Nine months ended September 30, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Cash flow from operations	\$ 60,659	\$ 161,222	\$ 251,820	\$ 220,601
Net income (loss)	64,803	180,372	115,935	(175,699)
Distributions declared	45,208	135,749	175,450	167,144
Excess of cash flow from operations over distributions declared	15,451	25,473	76,370	53,457
Excess (shortfall) of net income (loss) over distributions declared	19,595	44,623	(59,515)	(342,843)

Artis' primary objective is to provide stable, reliable and tax-efficient monthly cash distributions. Cash flow from operations has exceeded distributions declared since Q3-12.

### CAPITAL RESOURCES

At September 30, 2017, Artis had \$55,321 of cash on hand. Management anticipates that the cash on hand will be invested in investment properties in subsequent periods, used for working capital purposes or for debt repayment.

The REIT has two unsecured revolving term credit facilities in the aggregate amount of \$500,000, which can be utilized for general corporate and working capital purposes, short term financing of investment property acquisitions and the issuance of letters of credit. At September 30, 2017, the REIT had \$374,714 drawn on these facilities.

At September 30, 2017, the REIT had 80 unencumbered properties and 7 unencumbered parcels of development land, representing a fair value of \$1,609,404.

Artis is not in default or arrears on any of its obligations, including distributions to unitholders, interest or principal payments on debt or any debt covenants at September 30, 2017.

The REIT's management expects to meet all of its short-term obligations and capital commitments with respect to properties through funds generated from operations, from the proceeds of mortgage refinancing, drawing on unsecured credit facilities, from the issuance of new debentures or units and from cash on hand.

## CONTRACTUAL OBLIGATIONS

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Accounts payable and other liabilities	\$ 83,686	\$ 83,686	\$ —	\$ —	\$ —
Credit facilities	674,714	—	251,714	423,000	—
Senior unsecured debentures <sup>(1)</sup>	200,000	—	200,000	—	—
Mortgages and loans payable	1,796,669	319,276	515,384	523,098	438,911
Total contractual obligations	\$ 2,755,069	\$ 402,962	\$ 967,098	\$ 946,098	\$ 438,911

(1) It is assumed that the outstanding debentures are not redeemed prior to maturity and that they are paid out in cash on maturity.

The REIT's schedule of mortgage maturities is as follows:

Year ended December 31,	Debt maturities	% of total principal	Scheduled principal repayments on non-matured debt	Total annual principal repayments	Weighted-average nominal interest rate on balance due at maturity
2017	\$ 10,781	0.7%	\$ 11,900	\$ 22,681	3.23%
2018	296,481	19.1%	44,005	340,486	3.55%
2019	258,866	16.7%	41,651	300,517	3.82%
2020	159,895	10.3%	34,641	194,536	3.71%
2021	394,430	25.4%	24,838	419,268	3.43%
2022 & later	431,851	27.8%	87,330	519,181	3.82%
Total	\$ 1,552,304	100.0%	\$ 244,365	\$ 1,796,669	3.65%

## SUMMARIZED QUARTERLY INFORMATION

\$000's, except per unit amounts	Q3-17	Q2-17	Q1-17	Q4-16	Q3-16	Q2-16	Q1-16	Q4-15
Revenue	\$ 134,091	\$ 136,217	\$ 139,538	\$ 146,378	\$ 148,925	\$ 138,159	\$ 139,053	\$ 142,873
Expenses:								
Property operating	32,126	31,746	33,644	38,291	34,298	30,098	30,437	35,158
Realty taxes	20,704	22,203	22,492	22,141	22,772	22,444	23,320	22,382
	52,830	53,949	56,136	60,432	57,070	52,542	53,757	57,540
Net operating income	81,261	82,268	83,402	85,946	91,855	85,617	85,296	85,333
Other income (expenses):								
Corporate expenses	(3,334)	(3,330)	(3,782)	(3,234)	(2,929)	(3,521)	(3,638)	(3,089)
Interest expense	(25,768)	(25,480)	(26,383)	(27,563)	(28,521)	(28,260)	(28,373)	(28,684)
Interest income	302	264	280	287	298	332	298	288
Fair value gain (loss) on investment properties	8,309	(16,801)	17,761	(92,854)	20,201	(21,640)	(15,121)	(252,058)
Foreign currency translation (loss) gain	(3,542)	1,552	4,867	(4,695)	206	(4,010)	6,154	410
Transaction costs	(567)	—	—	(9)	(195)	(862)	(39)	(521)
Gain (loss) on financial instruments	8,231	131	479	12,513	(4,039)	2,921	(5,803)	2,426
Income (loss) before income taxes	64,892	38,604	76,624	(29,609)	76,876	30,577	38,774	(195,895)
Income tax (expense) recovery	(89)	(51)	392	(683)	—	—	—	—
Net income (loss)	64,803	38,553	77,016	(30,292)	76,876	30,577	38,774	(195,895)
Other comprehensive (loss) income:								
Unrealized foreign currency translation (loss) gain	(44,755)	(30,072)	(10,090)	25,936	9,877	4,066	(60,524)	27,422
Unrealized (loss) gain from remeasurements of net pension obligation	(70)	38	(46)	(4)	(4)	(35)	9	1
	(44,825)	(30,034)	(10,136)	25,932	9,873	4,031	(60,515)	27,423
Total comprehensive income (loss)	\$ 19,978	\$ 8,519	\$ 66,880	\$ (4,360)	\$ 86,749	\$ 34,608	\$ (21,741)	\$ (168,472)
Net income (loss) per unit attributable to common unitholders:								
Basic	\$ 0.40	\$ 0.23	\$ 0.48	\$ (0.23)	\$ 0.48	\$ 0.18	\$ 0.25	\$ (1.45)
Diluted	0.40	0.22	0.48	(0.23)	0.48	0.18	0.24	(1.45)
Secured mortgages and loans to GBV	33.3%	38.9%	40.2%	40.6%	40.4%	40.9%	41.3%	41.2%

The quarterly trend for revenue and Property NOI has been impacted by acquisition, disposition and (re)development activity, the impact of foreign exchange and lease termination income. Net income (loss) and per unit amounts are also impacted by the fair value gains and losses on investment properties.

**Reconciliation of Net Income (Loss) to FFO and AFFO**

000's, except per unit amounts	Q3-17	Q2-17	Q1-17	Q4-16 <sup>(1)</sup>	Q3-16 <sup>(1)</sup>	Q2-16 <sup>(1)</sup>	Q1-16 <sup>(1)</sup>	Q4-15 <sup>(2)</sup>
Net income (loss)	\$ 64,803	\$ 38,553	\$ 77,016	\$ (30,292)	\$ 76,876	\$ 30,577	\$ 38,774	\$ (195,895)
Add (deduct):								
Fair value (gain) loss on investment properties	(8,309)	16,801	(17,761)	92,854	(20,201)	21,640	15,121	252,058
Amortization of tenant inducements	4,689	4,544	4,615	4,873	4,456	4,349	4,074	3,694
Transaction costs on acquisitions	567	—	—	9	195	862	39	521
Foreign currency translation loss (gain)	3,542	(1,552)	(4,867)	4,695	(206)	4,010	(6,154)	(410)
(Gain) loss on financial instruments	(8,231)	(131)	(479)	(12,513)	4,039	(2,921)	5,803	(2,426)
Remeasurement component of unit-based compensation	76	(13)	118	(3)	(294)	148	13	(44)
Distributions on preferred shares treated as interest expense	43	45	46	20	28	27	28	29
Incremental leasing costs	1,058	792	795	1,406	806	623	547	579
Preferred unit distributions	(4,548)	(4,597)	(4,630)	(4,641)	(4,611)	(4,584)	(4,596)	(4,682)
<b>FFO</b>	<b>\$ 53,690</b>	<b>\$ 54,442</b>	<b>\$ 54,853</b>	<b>\$ 56,408</b>	<b>\$ 61,088</b>	<b>\$ 54,731</b>	<b>\$ 53,649</b>	<b>\$ 53,424</b>
Add (deduct):								
Amortization of recoverable capital expenditures	\$ (2,196)	\$ (2,137)	\$ (2,290)	\$ (3,846)	\$ (2,331)	\$ (2,116)	\$ (2,041)	\$ —
Non-recoverable property maintenance reserve	(950)	(700)	(650)	(650)	(650)	(650)	(650)	(1,432)
Leasing costs reserve	(10,000)	(9,600)	(9,500)	(9,500)	(9,500)	(9,500)	(9,500)	(5,727)
Straight-line rent adjustments	(1,954)	(1,871)	(1,663)	(1,743)	(1,979)	(1,276)	(1,196)	(1,227)
Unit-based compensation	—	—	—	—	—	—	—	618
<b>AFFO</b>	<b>\$ 38,590</b>	<b>\$ 40,134</b>	<b>\$ 40,750</b>	<b>\$ 40,669</b>	<b>\$ 46,628</b>	<b>\$ 41,189</b>	<b>\$ 40,262</b>	<b>\$ 45,656</b>
FFO per unit:								
Basic	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.38	\$ 0.41	\$ 0.39	\$ 0.39	\$ 0.39
Diluted	0.36	0.36	0.36	0.37	0.41	0.38	0.38	0.38
AFFO per unit:								
Basic	\$ 0.26	\$ 0.27	\$ 0.27	\$ 0.27	\$ 0.31	\$ 0.29	\$ 0.29	\$ 0.33
Diluted	0.26	0.27	0.27	0.27	0.31	0.29	0.29	0.33
Weighted-average number of common units outstanding for FFO:								
Basic	150,593	150,581	150,545	149,937	149,227	141,191	139,215	138,566
Diluted <sup>(3)</sup>	151,035	150,966	150,947	154,921	154,326	151,780	149,805	149,089

(1) The 2016 balances have been revised to reflect the impact of the new FFO and AFFO guidelines as issued by REALpac in February 2017.

(2) The 2015 balances have not been revised to reflect the impact of the new FFO and AFFO guidelines as issued by REALpac in February 2017.

(3) Options, convertible debentures, restricted units and deferred units are factored into the diluted weighted-average calculation, to the extent that their impact is dilutive.

FFO and AFFO and per unit results are impacted by acquisition, disposition and (re)development activity, foreign exchange and by lease termination income received from tenants during the period.

**RELATED PARTY TRANSACTIONS**

For the three months ended September 30, 2017, the REIT has no related party transactions. In 2015, Marwest Management Canada Ltd., Marwest Construction Ltd., Marwest Development Corporation and Fairtax Realty Advocates were impacted by ownership restructuring. As a result of the changes in ownership, these entities are no longer controlled or jointly controlled by key management personnel of the REIT or their close family members. As such, they are not required to be disclosed as related party entities under IFRS. Commencing in the three months ended September 30, 2017, the REIT is no longer disclosing transactions with these entities as related party transactions.

## OUTSTANDING UNIT DATA

As of November 6, 2017, the balance of units outstanding is 150,593,232, the balance of Series A preferred units outstanding is 3,450,000, the balance of Series C preferred units outstanding is 3,000,000, the balance of Series E preferred units outstanding is 4,000,000 and the balance of Series G preferred units outstanding is 3,200,000.

The balance of restricted units outstanding as of November 6, 2017 is 368,397, none of which have vested.

The balance of deferred units outstanding as of November 6, 2017 is 80,602. All of these deferred units have vested, 4,027 of which are redeemable.

## OUTLOOK

Scotiabank's Global Outlook dated October 5, 2017, predicts that real GDP in Canada will grow by 3.1% in 2017. GDP in British Columbia, Manitoba and Ontario in 2017 is forecast to grow by 3.5%, 2.6% and 3.1%, respectively, which are all healthy growth rates that are near or above the 2017 national forecast. After a year of GDP contraction in Saskatchewan and Alberta last year, a rebound is occurring during 2017 in these provinces as oil and gas related activity continues to recover. As a result, Scotiabank forecasts that GDP in these provinces will grow by 2.0% and 3.8%, respectively, in 2017, while continued GDP growth and declining unemployment rates are predicted for 2018. We continue to monitor the Alberta and Saskatchewan markets closely and work diligently to maximize occupancy and rental rates, while diversifying our portfolio in an accretive manner so as to reduce and optimize our weighting in Alberta.

The Scotiabank Global Outlook report further predicts that U.S. GDP will grow at a rate of 2.2% in 2017. According to the United States Bureau of Labor Statistics, U.S. unemployment decreased nationally from 4.9% to 4.2% year-over-year in September. Most recently available unemployment rates in our U.S. target markets are generally near or below the national average. We continue to monitor this and other key economic indicators in our target U.S. markets on a continuous basis. Given the health of the U.S. economy, strength of the US dollar, positive GDP growth expectations and decline in unemployment rates, we anticipate that there is further growth potential to be realized during the remainder of 2017 and beyond. We will continue to pursue accretive acquisition opportunities in both Canada and the U.S., but anticipate that the majority of near- to mid-term acquisitions will be in our primary U.S. markets. We will also continue to seek and invest in high-yield development opportunities in our target U.S. markets. Accordingly, at the end of 2016, the Board of Trustees increased our target U.S. weighting from 40.0% to 50.0% of total Property NOI.

As a result of our ongoing strategic review and analysis of our assets, the economic fundamentals of our target markets and relevant overall market trends, we have sold numerous retail assets in secondary markets during the past three years. These properties, which were sold at attractive capitalization rates, were in cities such as Moose Jaw, Edson, Grande Prairie, Medicine Hat, Lethbridge, Cranbrook and Kelowna. While retail real estate remains part of our portfolio diversification strategy, we will continue to pursue opportunities to dispose of non-core retail assets. Our core retail properties are those focused on the consumer's everyday shopping needs, including food and beverage, and personal service providers. Our goal with this initiative is to reduce our retail NOI weighting over time from 20%, as reported for Q3-17, to approximately 15%.

With respect to disposition activity that occurred subsequent to the end of Q3-17, we sold an office property in Nanaimo, British Columbia, and entered into unconditional agreements to sell an office property in Red Deer, Alberta, and a portfolio of industrial properties in the Twin Cities Area, Minnesota, that are no longer aligned with our long-term strategy. These unconditional sales are expected to close in 2017. Also, in Q1-17, we announced our intention to dispose of our Minnesota retail assets, as well as the Humana Building in the Greater Phoenix Area, Arizona. These properties have been listed for sale and we anticipate that the disposition of these assets will occur in 2017 or 2018.

We continue to maintain our Investment Grade Credit Rating, BBB(low) with a Stable trend, from DBRS Limited. Additionally, DBRS Limited has assigned a rating of Pfd-3(low) with a Stable trend to Artis' preferred units. We anticipate that with this Investment Grade Credit Rating, the debt and equity markets will continue to be receptive to new financing during the remainder of 2017 and beyond. We further anticipate that interest rates will remain range-bound low in the short to medium term, with long-term interest rate increases coming at a slow, methodical pace and well-communicated by the central banks.

Overall, we anticipate that real estate fundamentals in Canada and the U.S. will remain stable during the remainder of 2017 and that our properties will perform in line with the moderate growth expectations of our target markets. We will continue to focus on organic growth and value creation opportunities by extracting maximum value from our portfolio, redevelopment and repositioning of select assets in primary markets through property improvement projects, expansion of existing portfolio properties, selective recycling of capital and capitalizing on new development opportunities.

## SUBSEQUENT EVENTS

As at September 30, 2017, Artis had \$55,321 of cash on hand and \$125,286 available on its revolving term credit facilities. Subsequent to September 30, 2017, the following transactions took place:

- The REIT disposed of 488 Albert Street, an office property located in Nanaimo, British Columbia. The property was sold for \$7,950.
- The REIT entered into an unconditional sale agreement for the disposition of seven industrial properties located in Minnesota. The sale price of this portfolio is US\$70,600. The REIT anticipates that the disposition will close in November 2017.
- The REIT entered into an unconditional sale agreement for the disposition of an office property located in Alberta. The sale price of this property is \$33,000. The REIT anticipates that the disposition will close in December 2017.
- The REIT entered into an unconditional purchase agreement for the acquisition of a new industrial distribution and logistics property in Minnesota. The purchase price of this property is US\$26,850. The REIT anticipates that the acquisition will close in December 2017.
- The REIT drew on its revolving term credit facilities in the amount of \$10,000.
- The REIT declared a monthly cash distribution of \$0.09 per unit for the month of October 2017.
- The REIT declared a quarterly cash distribution of \$0.3125 per Series G preferred unit for the quarter ending October 31, 2017.

## RISKS AND UNCERTAINTIES

### REAL ESTATE OWNERSHIP

All real property investments are subject to elements of risk. General economic conditions, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors affect such investments. The REIT's properties are located in five Canadian provinces and six U.S. states, with a significant majority of its properties, measured by Property NOI, located in the province of Alberta and in the state of Minnesota. As a result, our properties are impacted by factors specifically affecting their respective real estate markets. These factors may differ from those affecting the real estate markets in other regions of Canada and the U.S.

### INTEREST RATE AND DEBT FINANCING

Artis will be subject to the risks associated with debt financing. There can be no assurance that Artis will be able to refinance its existing indebtedness on terms that are as or more favourable to Artis as the terms of existing indebtedness. The inability to replace financing of debt on maturity would have an adverse impact on the financial condition and results of Artis.

Management seeks to mitigate this risk in a variety of ways. First, management considers structuring the timing of the renewal of significant tenant leases on properties in relation to the time at which mortgage indebtedness on such property becomes due for refinancing. Second, management seeks to secure financing from a variety of lenders on a property by property basis. Third, mortgage terms are, where practical, structured such that the exposure in any one year to financing risks is balanced.

Artis is also subject to interest rate risk associated with the REIT's credit facilities, mortgages and debentures payable due to the expected requirement to refinance such debts in the year of maturity. The REIT minimizes the risk by restricting debt to 70% of gross book value and by carefully monitoring the amount of variable rate debt. At September 30, 2017, 46.3% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 25.9% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place. At September 30, 2017, the REIT is a party to \$1,639,538 of variable rate debt, including credit facilities (December 31, 2016, \$1,309,535). At September 30, 2017, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$766,172 of variable rate debt (December 31, 2016, \$489,310). The REIT has the ability to place interest rate swaps on top of variable rate debt at any time in order to effectively fix the interest rate.

At September 30, 2017, the REIT's ratio of secured mortgages and loans to GBV was 33.3%, compared to 40.6% at December 31, 2016. The REIT's ratio of total long-term debt and credit facilities to GBV was 49.6%, compared to 51.0% at December 31, 2016. Approximately 0.7% of Artis' maturing mortgage debt comes up for renewal in 2017, and 19.1% in 2018. Management is in discussion with various lenders with respect to the renewal or refinancing of the 2017 and 2018 mortgage maturities.



## CREDIT RISK AND TENANT CONCENTRATION

Artis is exposed to risks relating to tenants that may be unable to pay their contracted rents. Management mitigates this risk by seeking to acquire properties across several asset classes and geographical regions. As well, management seeks to acquire properties with strong tenant covenants in place. Artis' portfolio includes 2,015 tenant leases with a weighted-average term to maturity of 4.2 years. Approximately 56.0% of the REIT's gross revenue is derived from national or government tenants. As indicated below, the largest tenant by gross revenue is Bell MTS, which is one of Canada's leading national communication companies providing voice services, internet and data services, and television. The second largest tenant by gross revenue is WorleyParsons Canada. WorleyParsons delivers projects, provides expertise in engineering, procurement and construction and offers a wide range of consulting and advisory services.

### Top 20 Tenants by Gross Revenue<sup>(1)</sup>

Tenant	% of total gross revenue <sup>(2)</sup>	Owned share of GLA (000's of S.F.)	% of total GLA	Weighted-average remaining lease term
Bell MTS	2.1%	322	1.3%	5.4
WorleyParsons Canada	1.7%	212	0.9%	3.9
Graham Group Ltd.	1.6%	243	1.0%	16.8
AT&T	1.5%	257	1.1%	7.8
Bell Canada	1.2%	115	0.5%	11.8
TransAlta Corp	1.1%	336	1.4%	5.7
TDS Telecommunications Corporation	1.1%	195	0.8%	7.2
Bellatrix Exploration Ltd.	1.0%	94	0.4%	6.3
TD Canada Trust	1.0%	128	0.5%	2.8
Shoppers Drug Mart	0.9%	136	0.6%	7.8
Home Depot	0.9%	122	0.5%	3.9
Canada Institute for Health Info.	0.9%	92	0.4%	7.9
CB Richard Ellis, Inc.	0.9%	108	0.5%	9.3
Fairview Health Services	0.8%	179	0.7%	5.9
3M Canada Company	0.8%	319	1.3%	2.5
Cara Operations Limited	0.8%	100	0.4%	11.3
Birchcliff Energy	0.8%	59	0.2%	0.2
Co-operators General Insurance	0.7%	95	0.4%	5.1
IHS Global Canada Limited	0.7%	59	0.2%	1.3
Microsemi Storage Solutions Ltd.	0.7%	124	0.5%	10.0
Total	21.2%	3,295	13.6%	6.8

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.

(2) Total gross revenue is in Canadian and US dollars.

### Government Tenants by Gross Revenue <sup>(1)</sup>

Tenant	% of total gross revenue <sup>(2)</sup>	Owned share of GLA (in 000's of S.F.)	% of total GLA	Weighted-average remaining lease term
Federal Government	3.4%	494	2.0%	6.8
Provincial Government	1.9%	277	1.1%	2.4
Civic or Municipal Government	0.4%	101	0.4%	13.3
Total	5.7%	872	3.5%	6.2

Weighted-average term to maturity (entire portfolio)	4.2
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(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.

(2) Total gross revenue is in Canadian and US dollars.

## LEASE ROLLOVER RISK

The value of investment properties and the stability of cash flows derived from those properties is dependent upon the level of occupancy and lease rates in those properties. Upon expiry of any lease, there is no assurance that a lease will be renewed on favourable terms, or at all; nor is there any assurance that a tenant can be replaced. A contraction in the Canadian or U.S. economy would negatively impact demand for space in office, retail and industrial properties, consequently increasing the risk that leases expiring in the near term will not be renewed.

Details of the portfolio's expiry schedule is as follows:

Expiry Year	Canada						U.S.				
	AB	BC	MB	SK	ON	Calgary office only	AZ	MN	WI	Other	Total
2017	0.8%	0.1%	1.2%	0.3%	0.4%	0.5%	0.5%	1.7%	0.3%	0.1%	5.4%
2018	1.8%	0.4%	2.6%	0.8%	1.2%	0.8%	0.1%	2.5%	0.9%	0.6%	10.9%
2019	1.4%	0.9%	1.4%	0.3%	1.8%	0.6%	0.5%	2.9%	0.6%	0.6%	10.4%
2020	1.6%	0.2%	1.9%	0.2%	3.1%	0.2%	0.9%	3.2%	0.8%	0.2%	12.1%
2021	2.3%	0.2%	2.0%	0.5%	1.5%	1.4%	0.7%	4.4%	0.5%	0.1%	12.2%
2022	0.8%	0.1%	0.5%	1.2%	2.0%	0.2%	0.2%	3.3%	0.3%	0.1%	8.5%
2023 & later	5.1%	1.2%	3.9%	2.1%	4.3%	2.2%	2.4%	5.2%	2.7%	1.1%	28.0%
Month-to-month	0.2%	0.1%	0.1%	—%	0.1%	0.1%	—%	0.2%	0.1%	—%	0.8%
Vacant	2.0%	0.2%	1.0%	0.4%	0.8%	1.7%	0.4%	1.8%	0.5%	0.2%	7.3%
New development/ redevelopment	0.6%	—%	0.7%	—%	0.5%	0.4%	0.5%	0.5%	—%	1.6%	4.4%
Total	16.6%	3.4%	15.3%	5.8%	15.7%	8.1%	6.2%	25.7%	6.7%	4.6%	100.0%

Artis' real estate is diversified across five Canadian provinces and six U.S. states, and across the office, retail and industrial asset classes. By city and asset class, the five largest segments of the REIT's portfolio (by Property NOI) are Calgary office, Madison office, Twin Cities Area industrial, Twin Cities Area office and Winnipeg office.

## TAX RISK

The Tax Act contains the SIFT Rules, which are applicable to publicly traded income trusts unless the trust satisfies the REIT Exception. The REIT Exception to the SIFT Rules is comprised of a number of technical tests and the determination as to whether the REIT qualifies for the REIT Exception in any particular taxation year can only be made with certainty at the end of the taxation year. Management believes that the REIT has met the requirements of the REIT Exception in each taxation year since 2009 and that it has met the REIT Exception throughout the nine months ended September 30, 2017 and the year ended December 31, 2016. There can be no assurances, however, that the REIT will continue to be able to satisfy the REIT Exception in the future such that the REIT will not be subject to the tax imposed by the SIFT Rules.

The Tax Act also contains restrictions relating to the activities and the investments permitted by a mutual fund trust. Closed-end trusts must also comply with a number of technical tests relating to its investments and income. No assurance can be given that the REIT will be able to continue to comply with these restrictions at all times.

The REIT operates in the United States through U.S. REITs, which are capitalized by the REIT by way of equity, debt in the form of notes owed to the REIT and preferred shares. If the Internal Revenue Service or a court were to determine that the notes and related interest should be treated differently for tax purposes, this may adversely affect the REIT's ability to flow income from the U.S. to Canada.

## FOREIGN CURRENCY RISK

The REIT owns properties located in the U.S., and therefore, the REIT is subject to foreign currency fluctuations that may impact its financial position and results. In order to mitigate a portion of this risk, the REIT's debt on U.S. properties is held in US dollars to act as a natural hedge. The REIT's Series C preferred units are also denominated in US dollars.

## OTHER RISKS

In addition to the specific risks identified above, the REIT is subject to a variety of other risks, including, but not limited to, risks posed by the illiquidity of real property investments, risk of general uninsured losses, as well as potential risks arising from environmental matters.

The REIT may also be subject to risks arising from land leases for properties in which the REIT has an interest, public market risks, unitholder liability risks, risks pertaining to the availability of cash flow, risks related to fluctuations in cash distributions, changes in legislation and risks relating to the REIT's reliance on key personnel. A summary of additional risks applicable to the REIT are set forth in Artis' most recent Annual Information Form.

## CRITICAL ACCOUNTING ESTIMATES

The policies that the REIT's management believes are the most subject to estimation and judgment are set out in the REIT's Management Discussion and Analysis for the year ended December 31, 2016.

## CHANGES IN ACCOUNTING STANDARDS

### Future Changes in Accounting Standards

The IASB issued IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15") in May 2014. IFRS 15 provides a single, principles based five-step model to be applied to the recognition of revenue from contracts with customers. IFRS 15 replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue*, IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real Estate* and SIC 31 – *Revenue - Barter Transactions Involving Advertising Services*. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. IFRS 15 excludes contracts that are within the scope of IAS 17 – *Leases*, IFRS 4 – *Insurance Contracts* and IFRS 9 – *Financial Instruments*. The REIT has completed an initial scoping review of its revenues and anticipates that the only significant revenue stream that falls under the scope of IFRS 15 is its property operating and realty tax cost recoveries. The REIT is currently finalizing its assessment of this new standard, however, it does not expect a material impact to its consolidated financial statements from its adoption.

A revised version of IFRS 9 – *Financial Instruments* ("IFRS 9") was issued by the IASB in July 2014 and will replace IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 establishes principles for the recognition, classification and measurement of financial assets and liabilities. IFRS 9 sets out a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. This approach is based on how an entity manages its financial instruments and the contractual cash flow characteristics of its financial assets. IFRS 9 retains most of the IAS 39 requirements for financial liabilities. The most significant change is when an entity elects to measure a financial liability at fair value, any gains or losses for the financial liability due to changes in an entity's credit risk must be recognized in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The REIT has completed a scoping and quantitative review of its financial instruments and does not anticipate any changes to the measurement of its financial instruments. Therefore, the REIT does not expect a material impact to its consolidated financial statements from the adoption of this new standard.

The IASB issued IFRS 16 – *Leases* ("IFRS 16") in January 2016 which replaces IAS 17 – *Leases* and IFRIC 4 – *Determining whether an Arrangement contains a Lease*. The most significant change introduced by IFRS 16 is a single lessee accounting model, bringing leases on-balance sheet for lessees. The changes do not materially impact the lessor accounting model. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The REIT is currently evaluating the impact of this new standard.

In June 2016, the IASB amended IFRS 2 – *Share-based Payment*. The amendment clarifies the classification and measurement of share-based payment transactions, and is effective for annual periods beginning on or after January 1, 2018. The REIT does not expect a material impact to its consolidated financial statements from the adoption of this amendment.

## CONTROLS AND PROCEDURES

### INTERNAL CONTROLS OVER FINANCIAL REPORTING

The REIT's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate internal controls over financial reporting.

All control systems have inherent limitations, and evaluation of a control system cannot provide absolute assurance that all control issues have been detected, including risks of misstatement due to error or fraud. As a growing enterprise, management anticipates that the REIT will be continually evolving and enhancing its systems of controls and procedures.

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") evaluated, or caused to be evaluated, the design of the REIT's internal controls over financial reporting (as defined in NI 52-109). Based on this evaluation, the CEO and CFO have concluded that, as at September 30, 2017, the design of our internal control over financial reporting was effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. No changes were made in the REIT's design of internal controls over financial reporting during the nine months ended September 30, 2017, that have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.

#### **DISCLOSURE CONTROLS AND PROCEDURES**

The REIT's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the REIT is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the CEO and CFO, to allow timely decisions regarding required disclosure.

As of September 30, 2017, an evaluation was carried out, under the supervision of and with the participation of management, including the CEO and CFO, of the effectiveness of the REIT's disclosure controls and procedures (as defined in NI 52-109). Based on the evaluation, the CEO and CFO have concluded that the REIT's disclosure controls and procedures were effective for the nine months ended September 30, 2017.